OFFICIAL STATEMENT

Dated June 2, 2020

Ratings: S&P: "AA-"

NEW ISSUE - Book-Entry-Only **(See "OTHER INFORMATION – RATING" herein)**

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – Tax Exemption" herein.

$28,330,000
CITY OF KYLE, TEXAS
(Hays County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: June 1, 2020 **Due: August 15, as shown on page 2**
Interest Accrues from Date of Delivery

PAYMENT TERMS . . . Interest on the $28,330,000 City of Kyle, Texas Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") will accrue from June 30, 2020 (the anticipated date of initial delivery), will be payable February 15 and August 15 of each year commencing February 15, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System"). The initial Paying Agent/Registrar is Wilmington Trust, N.A., Dallas, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 271, Texas Local Government Code, Subchapter C, as amended, Chapter 1502, Texas Government Code, as amended, an ordinance authorizing the issuance of the Certificates (the "Ordinance") adopted by the City Council of the City of Kyle, Texas (the "City"), and the City's home-rule charter. The Certificates constitute direct obligations of the City secured by a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a limited pledge (not to exceed $1,000) of the Surplus Revenues (identified and defined in the Ordinance) from the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES – Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for (i) the design and construction of a wastewater treatment plant and other sewer system infrastructure improvements, and (ii) the payment of professional services and costs of issuance related thereto (see "PLAN OF FINANCING").

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

SEE MATURITY SCHEDULE, INTEREST RATES, AND YIELDS ON INSIDE COVER

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on June 30, 2020 (the "Date of Delivery").

RAYMOND JAMES

JEFFERIES **RAMIREZ & CO., INC.**

MATURITY SCHEDULE, INTEREST RATES AND YIELDS

Maturity (8/15)	Principal	Interest Rate	Initial Yield		CUSIP [1]
2021	$ 340,000	3.000%	0.310%		501552KU6
2022	505,000	3.000%	0.380%		501552KV4
2023	520,000	3.000%	0.500%		501552KW2
2024	535,000	5.000%	0.640%		501552KX0
2025	560,000	5.000%	0.750%		501552KY8
2026	590,000	5.000%	0.940%		501552KZ5
2027	620,000	5.000%	1.090%		501552LA9
2028	650,000	5.000%	1.210%		501552LB7
2029	680,000	5.000%	1.280%		501552LC5
2030	715,000	5.000%	1.380%		501552LD3
2031	750,000	5.000%	1.480%	(2)	501552LE1
2032	790,000	4.000%	1.630%	(2)	501552LF8
2033	820,000	4.000%	1.740%	(2)	501552LG6
2034	855,000	4.000%	1.770%	(2)	501552LH4
2035	890,000	4.000%	1.820%	(2)	501552LJ0
2036	925,000	4.000%	1.830%	(2)	501552LK7
2037	960,000	4.000%	1.850%	(2)	501552LL5
2038	1,000,000	4.000%	1.860%	(2)	501552LM3
2039	1,040,000	4.000%	1.900%	(2)	501552LN1
2040	1,080,000	4.000%	1.930%	(2)	501552LP6

$13,505,000 Term Certificates[3]

$6,090,000 4.00% Term Certificates Due August 15, 2045 – Yield 2.03%[2] CUSIP No. 501552LQ4
$7,415,000 4.00% Term Certificates Due August 15, 2050 – Yield 2.18%[2] CUSIP No. 501552LR2

(Interest Accrues from Delivery Date)

(1) CUSIP numbers have been assigned to the Certificates by the CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, and are included solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is yield to first optional redemption date, August 15, 2030.
(3) The Certificates maturing August 15 in the years 2045 and 2050 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to their stated maturity. See "THE CERTIFICATES – Mandatory Sinking Fund Redemption."

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

This Official Statement is delivered in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE “OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER” HEREIN.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE CERTIFICATES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

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The cover page hereof, this page, the appendices included herein and any addendum, supplement or amendment hereto, are part of the Official Statement.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service in Current Term	Term Expires
Travis Mitchell Mayor	2.5 Years	November 2020
Dex Ellison Council Member, District 1	0.5 Years	November 2021
Tracy Scheel Council Member, District 2	2.5 Years	November 2020
Robert Rizo Council Member, District 3	0.5 Years	November 2021
Alex Villalobos Council Member, District 4	2.5 Years	November 2020
Rick Koch Mayor Pro-Tem, District 5	1.5 Years	November 2021
Michael Tobias Council Member, District 6	Newly Elected	November 2021

APPOINTED OFFICIALS

Name	Position
Scott Sellers	City Manager
James R. Earp, CPM	Assistant City Manager
Perwez A. Moheet, CPA	Director of Finance
Jennifer Vetrano	City Secretary

CONSULTANTS AND ADVISORS

Auditor .... RSM US LLP
Austin, Texas

Bond Counsel .... Bickerstaff Heath Delgado Acosta LLP
Austin, Texas

Financial Advisor .... RBC Capital Markets, LLC
Houston, Texas

For additional information regarding the City, please contact:

Perwez A. Moheet, CPA Director of Finance City of Kyle, Texas 100 West Center Street Kyle, Texas 78640 (512) 262-1010	or	Chris W. Allen Managing Director RBC Capital Markets, LLC 609 Main Street, Suite 3600 Houston, Texas 77002 (713) 651-3338	or	Gabriella Briceno Vice President RBC Capital Markets, LLC 609 Main Street, Suite 3600 Houston, Texas 77002 (713) 853-0808

OFFICIAL STATEMENT SUMMARY

The selected data on these pages is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach these selected data pages from this Official Statement or to otherwise use it without the entire Official Statement.

These selected data pages were prepared to present the purchasers of the Certificates information concerning the Certificates, the taxes and revenue pledged to the payment of the Certificates, the description of the tax base and other pertinent data, all as more fully described herein.

THE CITY .... The City of Kyle, Texas (the "City") is a political subdivision located in Hays County operating as a home-rule city under the laws of the State of Texas (the "State") and the City's home-rule charter (the "Charter") originally approved by the voters in 2000, and as amended in 2006, 2016 and 2018. The City operates under the Council/Manager form of government in which the Mayor and six councilmembers are elected for staggered three-year terms. The City Council (hereinafter referred to as the "City Council" or "Council") formulates operating policy for the City, while an appointed City Manager is the chief administrative officer. It is the duty of the City Manager to implement the policies and directives of the Council. The City is approximately 31.25 square miles in area (see "APPENDIX A – General Information Regarding the City").

THE CERTIFICATES...................... The Certificates are issued as $28,330,000 Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") and mature on August 15 in the years 2021 through 2040, inclusive, 2045 and 2050 (see "THE CERTIFICATES – Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from June 30, 2020 (the "Date of Delivery"), and is payable February 15, 2021 and each August 15 and February 15 thereafter until stated maturity or prior redemption (see "THE CERTIFICATES – Description of the Certificates" and "THE CERTIFICATES – Optional Redemption").

AUTHORITY FOR ISSUANCE.......... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Chapter 271, Texas Local Government Code, Subchapter C, as amended, Chapter 1502, Texas Government Code, as amended, the City's Charter, and an ordinance authorizing the issuance of the Certificates (the "Ordinance") adopted by the City Council (see "THE CERTIFICATES – Authority for Issuance").

SECURITY .... The Certificates constitute direct obligations of the City secured by a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a limited pledge (not to exceed $1,000) of the Surplus Revenues (identified and defined in the Ordinance) from the City's Waterworks and Sewer System, as provided in the Ordinance. See "THE CERTIFICATES – Security and Source of Payment."

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for (i) the design and construction of a wastewater treatment plant and other sewer system infrastructure improvements, and (ii) the payment of professional services and costs of issuance related thereto (see "PLAN OF FINANCING").

OPTIONAL REDEMPTION............. The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or in part, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

MANDATORY REDEMPTION .... The Certificates maturing August 15 in the years 2045 and 2050 (the "Term Certificates") are additionally subject to mandatory sinking fund redemption prior to their stated maturity (see "THE CERTIFICATES – Mandatory Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described herein. See "TAX MATTERS – Tax Exemption" for a discussion of the opinion of Bond Counsel.

RATING .... The Certificates and the presently outstanding uninsured tax-supported debt of the City are rated "AA-" by S&P Global Ratings ("S&P") (see "OTHER INFORMATION – Rating").

BOOK-ENTRY-ONLY SYSTEM...... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted on payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 09/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt [(3)]	Per Capita General Obligation Tax Debt	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2016	34,413	$ 1,900,035,485	$ 55,213	$ 90,455,000	$ 2,629	4.76%	99.51%
2017	39,500	2,222,884,249	56,276	85,575,000	2,166	3.85%	100.58%
2018	43,417	2,543,703,616	58,588	80,530,000	1,855	3.17%	99.63%
2019	47,500	3,015,137,223	63,477	75,295,000	1,585	2.50%	99.61%
2020	52,300	3,281,677,615	62,747	98,195,000 [(4)]	1,878 [(4)]	2.99% [(4)]	97.03% [(5)]

(1) Source: The City.
(2) Valuations shown are certified taxable assessed values reported by the Hays Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Includes the City's self-supporting debt.
(4) Projected, includes the Certificates.
(5) Partial collections through February 29, 2020.

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OFFICIAL STATEMENT
RELATING TO

$28,330,000
CITY OF KYLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2020

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $28,330,000 City of Kyle, Texas Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted by the City Council of the City of Kyle, Texas (the "City") authorizing the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are summaries only and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, RBC Capital Markets, LLC, Houston, Texas.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's home-rule charter (the "Charter") adopted by the voters in 2000, and as amended in 2006, 2016 and 2018. The City operates under the Council/Manager form of government in which the Mayor and six councilmembers are elected for staggered three-year terms. The City Council (hereinafter referred to as the "City Council" or "Council") formulates operating policy for the City, while an appointed City Manager is the chief administrative officer. It is the duty of the City Manager to implement the policies and directives of the Council. The City covers approximately 31.25 square miles. For more information regarding the City, see "APPENDIX A – General Information Regarding the City."

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for (i) the design and construction of a wastewater treatment plant and other sewer system infrastructure improvements, and (ii) the payment of professional services and costs of issuance related thereto.

USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources of Funds	
Principal	$ 28,330,000.00
Reoffering Premium	5,488,192.50
Total Sources	$ 33,818,192.50
Uses of Funds	
Project Fund	$ 33,500,000.00
Underwriters' Discount	152,587.04
Costs of Issuance and Rounding Amount	165,605.46
Total Uses	$ 33,818,192.50

THE CERTIFICATES

GENERAL . . . The Certificates mature on August 15 in each of the years and in the amounts shown on the inside cover page hereof. The Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System").

Interest on the Certificates will accrue from the initial date of delivery of the Certificates to the Underwriters, will be payable on February 15 and August 15 of each year commencing February 15, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30 day months.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Chapter 271, Texas Local Government Code, Subchapter C, as amended, Chapter 1502, Texas Government Code, as amended, the City's Charter and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City secured by a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a limited pledge (not to exceed $1,000) of the Surplus Revenues (identified and defined in the Ordinance) from the City's Waterworks and Sewer System, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt (including the Certificates) within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State will permit allocation of $1.50 of the $2.50 maximum tax rate for general obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031 , in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY REDEMPTION . . . The Certificates maturing on August 15 in the years 2045 and 2050 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to maturity on August 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption:.

$6,090,000 Term Certificates Due August 15, 2045		$7,415,000 Term Certificates Due August 15, 2050	
Year	Principal Amount	Year	Principal Amount
2041	$ 1,125,000	2046	$ 1,370,000
2042	1,170,000	2047	1,425,000
2043	1,215,000	2048	1,480,000
2044	1,265,000	2049	1,540,000
2045*	1,315,000	2050*	1,600,000

*Maturity.

At least forty-five days prior to each mandatory redemption date specified above that the Term Certificates are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of the Term Certificates of the same maturity which at least fifty (50) days prior to a mandatory redemption date (i) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Interest and Sinking Fund.

NOTICE OF REDEMPTION… Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE

OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to optionally redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Certificates subject to conditional redemption where redemption has been rescinded shall remain outstanding.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, or (2) Defeasance Securities which have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof.

The Ordinance provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any other then authorized securities or obligations under applicable law of the State that may be used to defease obligations such as the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and no longer entitled to the rights and benefits afforded under the Ordinance; provided, however, that the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption, at an earlier date, those Certificates which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES – Transfer, Exchange and Registration" below. The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City and the Underwriters believe to be reliable, but none of the City, the Financial Advisor, or the Underwriters take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT. . . In reading this Official Statement, it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM. . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the beneficial owners and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES – Transfer, Exchange and Registration" below.

NOTICE TO DTC IN LIEU OF BENEFICIAL OWNERS . . . The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Certificates or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Certificates for redemption (see "Book-Entry-Only System" above).

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Wilmington Trust, N.A., Dallas, Texas. Interest on and principal of the Certificates will be payable, and transfer functions will be performed, at the office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid, which notice shall give the name and the mailing address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT ON THE CERTIFICATES . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

CERTIFICATEHOLDERS' REMEDIES …Under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of, or interest on, any such Certificates, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is to seek a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of, and interest on, the Certificates as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, a registered owner may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. As noted above, the Ordinance provides that holders of Certificates may seek the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources." While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship. Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of or notice to any Owners in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the Owners of all the Certificates affected, no such amendment, addition, or rescission may (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage amount of the Certificates necessary to be held by Registered Owners for consent to such amendment.

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The appraisal of property within the City is the responsibility of the Hays Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market rate comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads" to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least once every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value," and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – City Application of Tax Code" for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Tax Code" herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate," an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

ISSUER AND TAXPAYER REMEDIES . . . Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "TAX INFORMATION– Public Hearing and Maintenance and Operations Tax Rate Limitations." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted split payments by State law to pay taxes on homesteads in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons who are 65 years of age or older of $30,000 and disabled veterans are granted an exemption of $3,000.

The City has not granted an additional exemption of up to 20% of the market value of residence homesteads. See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; the Hays County Tax office collects taxes for the City.

The City permits split payments; discounts are not allowed.

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for the reduction of ad valorem taxes (see Table 8 herein).

The City does not collect the one-half cent sales tax for economic development.

The City has adopted a tax abatement policy.

The City agreed to create a Tax Increment Reinvestment Zone #1 ("TIRZ #1"), which encompasses approximately 66.33 acres of land (along the eastern frontage road of IH-35 in the northern portion of the City), in order to pay for certain public infrastructure within the zone through the issuance of bonds or use of the tax increment funds. The City created TIRZ #1 effective in 2004. As of July 22, 2019, the taxable assessed value of property in the zone was $153,869,067. The base increment value of TIRZ #1 upon creation was $289,420. The TIRZ #1 is currently scheduled to terminate on December 31, 2035 unless the City changes the termination date via ordinance.

The City agreed to create a Tax Increment Reinvestment Zone #2 ("TIRZ #2"), which encompasses approximately 1,480 acres of land (located in the western part of the City along FM1626, FM 2770, and Kohlers Crossing), in order to pay for certain public infrastructure within the zone through the issuance of bonds or use of 50% of the tax increment funds. The City created TIRZ #2 on December 18, 2018. As of July 22, 2019, the taxable assessed value of property in the zone was $175,907,860. The base increment value of the TIRZ #2 upon creation was $121,367,726. The TIRZ #2 is currently scheduled to terminate on December 31, 2037 unless the City changes the termination date via ordinance.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2019/20 Market Valuation Established by Hays Central Appraisal District (less totally exempt property)		$ 3,709,014,217
Less Exemptions/Reductions at 100% Market Value:		427,336,602
2019/20 Taxable Assessed Valuation		$ 3,281,677,615
Debt Payable from Ad Valorem Taxes as of 12/31/19 (1)		
Outstanding Debt	$ 75,295,000	
The Certificates	28,330,000	
Total Debt Payable from Ad Valorem Taxes (1)		$ 103,625,000
Interest and Sinking Fund as of 12/31/19 (unaudited)		$ 5,064,067
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		3.16%

2020 Estimated Population - 52,300
Per Capita Taxable Assessed Valuation - $62,747
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,981

___

(1) Includes the Certificates and the City's self-supporting debt.

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TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 09/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt [(3)]	Per Capita General Obligation Tax Debt	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2016	34,413	$ 1,900,035,485	$ 55,213	$ 90,455,000	$ 2,629	4.76%	99.51%
2017	39,500	2,222,884,249	56,276	85,575,000	2,166	3.85%	100.58%
2018	43,417	2,543,703,616	58,588	80,530,000	1,855	3.17%	99.63%
2019	47,500	3,015,137,223	63,477	75,295,000	1,585	2.50%	99.61%
2020	52,300	3,281,677,615	62,747	98,195,000 [(4)]	1,878 [(4)]	2.99% [(4)]	97.03% [(5)]

(1) Source: The City.
(2) Valuations shown are certified taxable assessed values reported by the Hays Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Includes the City's self-supporting debt.
(4) Projected, includes the Certificates.
(5) Partial collections through February 29, 2020.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2016	$ 0.58480	$ 0.23060	$ 0.35420	$ 11,834,067	99.41%	99.51%
2017	0.57480	0.23950	0.33530	13,470,083	99.54%	100.58%
2018	0.54160	0.25480	0.28680	14,654,646	99.52%	99.63%
2019	0.54160	0.28830	0.25330	16,250,639	99.45%	99.61%
2020	0.54160	0.31540	0.22620	18,253,687	96.65% [(1)]	97.03% [(1)]

(1) Collections through February 29, 2020.

TABLE 4 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2019/20 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
IVT Kyle Marketplace 1031 LLC	Shopping Center	$ 35,304,043	1.08%
Settlement Bres LLC	Apartments	32,790,731	1.00%
CM Kyle III LP	Real Estate/Development	31,237,964	0.95%
4925 Cromwell LLC	Apartments	30,167,291	0.92%
Oaks on Marketplace LP	Apartments	28,192,766	0.86%
Kyle Crossing Holdings LLC	Shopping Center	27,600,009	0.84%
Madrone Ventures LLC	Apartments	25,428,436	0.77%
Oaks of Kyle ICG LLC	Apartments	22,798,295	0.69%
Plum Creek Vue LTD	Apartments	19,545,779	0.60%
Hays Junction Phase I LLC	Apartments	19,283,104	0.59%
		$ 272,348,418	8.30%

TABLE 5 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date stated below, and such entities may have programs requiring the issuance of substantial amounts of additional debt the amount of which cannot be determined. This table reflects the estimated share of overlapping funded debt of taxing bodies with territory in the City.

Taxing Jurisdiction	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt as of 4-30-20
City of Kyle	$ 102,050,000 (1)	100.00%	$ 102,050,000 (1)
Austin CCD	404,420,000	1.41%	5,702,322
Hays CISD	465,770,000	42.55%	198,185,135
Hays County	493,285,154	14.22%	70,145,149
Total City and Overlapping Funded Debt			$ 376,082,606
Ratio of Total Direct and Overlapping Tax Supported Debt to City's Taxable Assessed Value			11.46%
Per Capita Tax-Supported and Overlapping Funded Debt			$ 7,191

(1) Includes the Certificates and the City's self-supporting debt.

Source: Municipal Advisory Council of Texas.

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DEBT INFORMATION

Table 6 - Tax Supported Debt Service Requirements

Fiscal Year Ending 9/30	Outstanding Debt Service			The Certificates			Less: Self-Supported Debt Service	Total General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total			
2020	$ 5,430,000	$ 2,738,118	$ 8,168,118	$ -	$ -	$ -	$ 249,148	$ 7,918,969	
2021	5,630,000	2,545,913	8,175,913	340,000	1,316,869	1,656,869	1,851,066	7,981,715	
2022	5,540,000	2,351,308	7,891,308	505,000	1,160,350	1,665,350	1,859,631	7,697,027	
2023	5,750,000	2,152,213	7,902,213	520,000	1,145,200	1,665,200	1,859,337	7,708,075	
2024	5,975,000	1,944,333	7,919,333	535,000	1,129,600	1,664,600	2,021,033	7,562,900	29.17%
2025	6,200,000	1,727,047	7,927,047	560,000	1,102,850	1,662,850	2,085,972	7,503,925	
2026	5,040,000	1,513,546	6,553,546	590,000	1,074,850	1,664,850	2,082,908	6,135,488	
2027	5,165,000	1,312,926	6,477,926	620,000	1,045,350	1,665,350	2,057,761	6,085,515	
2028	4,255,000	1,129,951	5,384,951	650,000	1,014,350	1,664,350	1,980,771	5,068,530	
2029	4,045,000	981,224	5,026,224	680,000	981,850	1,661,850	1,738,226	4,949,847	56.00%
2030	4,285,000	825,809	5,110,809	715,000	947,850	1,662,850	1,775,713	4,997,945	
2031	4,465,000	660,200	5,125,200	750,000	912,100	1,662,100	1,737,099	5,050,201	
2032	4,680,000	489,475	5,169,475	790,000	874,600	1,664,600	1,779,141	5,054,934	
2033	4,825,000	310,075	5,135,075	820,000	843,000	1,663,000	1,777,725	5,020,350	
2034	1,970,000	140,350	2,110,350	855,000	810,200	1,665,200	1,737,163	2,038,387	79.31%
2035	2,040,000	71,400	2,111,400	890,000	776,000	1,666,000	1,737,999	2,039,401	
2036	-	-	-	925,000	740,400	1,665,400	1,665,400	-	
2037	-	-	-	960,000	703,400	1,663,400	1,663,400	-	
2038	-	-	-	1,000,000	665,000	1,665,000	1,665,000	-	
2039	-	-	-	1,040,000	625,000	1,665,000	1,665,000	-	85.93%
2040	-	-	-	1,080,000	583,400	1,663,400	1,663,400	-	
2041	-	-	-	1,125,000	540,200	1,665,200	1,665,200	-	
2042	-	-	-	1,170,000	495,200	1,665,200	1,665,200	-	
2043	-	-	-	1,215,000	448,400	1,663,400	1,663,400	-	
2044	-	-	-	1,265,000	399,800	1,664,800	1,664,800	-	91.58%
2045	-	-	-	1,315,000	349,200	1,664,200	1,664,200	-	
2046	-	-	-	1,370,000	296,600	1,666,600	1,666,600	-	
2047	-	-	-	1,425,000	241,800	1,666,800	1,666,800	-	
2048	-	-	-	1,480,000	184,800	1,664,800	1,664,800	-	
2049	-	-	-	1,540,000	125,600	1,665,600	1,665,600	-	98.46%
2050	-	-	-	1,600,000	64,000	1,664,000	1,664,000	-	100.00%
	$ 75,295,000	$ 20,893,886	$ 96,188,886	$ 28,330,000	$ 21,597,819	$ 49,927,819	$ 53,303,494	$ 92,813,211	

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT . . . The City has no authorized but unissued ad valorem tax bonds. The City is authorized to issue other ad valorem tax-secured indebtedness without voter approval, including certificates of obligation, refunding bonds, tax notes with a maturity of seven years or less, and public property finance contractual obligations.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of refunding bonds to achieve debt service savings within the next twelve months.

FUNDED DEBT LIMITATION . . . No direct funded debt limitation is imposed on the City under current State law or the City's Home Rule Charter. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits the City's maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The City operates under a Home Rule Charter which adopts the constitutional provisions. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance.

OTHER OBLIGATIONS . . . See "APPENDIX B - Excerpts from the City of Kyle, Texas Annual Financial Report."

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS. . . Pension Fund. The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Note V.C.1 of "APPENDIX B – Excerpts from the City of Kyle, Texas Annual Financial Report.")

Other Post-Employment Benefits. The Governmental Accounting Standards Board released the Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment Benefits ("OPEB"), in June 2004. The City was required to implement GASB 45 for the fiscal year that began on October 1, 2008 and concluded on September 30, 2009.

GASB 45 sets forth standards for the measurement, recognition, and display of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. Those subject to this pronouncement are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 will be required to be recorded as a liability in the employer's financial statements.

For information concerning the City's OPEB, see Note V.C.3 of "APPENDIX B - Excerpts from the City of Kyle, Texas Annual Financial Report."

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FINANCIAL INFORMATION

TABLE 7 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues:					
Taxes	$ 20,041,855	$ 17,401,896	$ 14,413,198	$ 12,487,583	$ 12,366,325
Licenses and Permits	1,373,768	1,427,924	1,853,819	1,288,899	1,364,274
Intergovernmental	2,000	6,857	1,500	21,173	22,136
Charges for Services	4,450,059	5,043,148	4,324,114	3,706,420	3,522,743
Fines and Fees	668,866	569,876	473,892	536,490	1,082,343
Investment Earnings	2,165,430	1,082,584	131,796	59,611	9,428
Contributions & Donations from Private Sources	40,000	-	-	-	-
Other	371,262	1,049,724	257,856	285,644	119,249
Total Revenues:	$ 29,113,240	$ 26,582,009	$ 21,456,175	$ 18,385,820	$ 18,486,498
Expenditures:					
General Government	$ 6,857,899	$ 6,955,924	$ 6,768,179	$ 6,396,541	$ 6,117,702
Public Safety	7,186,604	6,389,898	6,244,455	5,619,183	5,172,083
Public Works	3,959,939	4,217,587	3,484,563	3,268,313	3,190,093
Culture and Recreation	2,673,633	2,532,297	2,259,263	2,111,124	1,944,870
Capital Outlay	547,091	1,606,878	686,493	1,762,755	990,958
Total Expenditures:	$ 21,225,166	$ 21,702,584	$ 19,442,953	$ 19,157,916	$ 17,415,706
Excess (Deficiency) of Revenues Over Expenditures:	$ 7,888,074	$ 4,879,425	$ 2,013,222	$ (772,096)	$ 1,070,792
Budgeted Transfers In	986,506	2,233,609	2,067,552	4,342,614	1,970,862
Budgeted Transfers Out	(12,774,950)	(1,504,815)	(777,051)	(3,837,085)	(1,448,063)
Net Increase (Decrease)	$ (3,900,370)	$ 5,608,219	$ 3,303,722	$ (266,567)	$ 1,593,591
Beginning Fund Balance:	19,437,948	13,829,729	10,526,007	10,792,574	9,198,983
Ending Fund Balance:	$ 15,537,578	$ 19,437,948	$ 13,829,729	$ 10,526,007	$ 10,792,574

Source: City's Audited Financial Statements and Records.

TABLE 8 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Voters in the City have also approved a 0.5% additional sales and use tax to reduce property taxes and such revenues may be used as the City would use property tax revenues. Collections and enforcements are effected through the office of the Comptroller of Public Accounts for the State of Texas, who remits the proceeds of the tax each month, after deduction of a 2% service fee, to the City. Revenue from this source, for the years shown, has been:

Fiscal Year Ended 09/30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (2)
2016	$ 6,418,103	54.23%	$ 0.3378	$ 186.50
2017	7,108,190	52.77%	0.3198	179.95
2018	7,800,705	53.23%	0.3067	179.67
2019	8,690,545	53.48%	0.2882	182.96
2020	4,100,426	22.46%	0.1249 (3)	78.40 (3)

(1) Includes collection of ½ of 1% sales tax for the reduction of property tax.
(2) Based on population estimates provided by the City.
(3) Collections through February 29, 2020.

The Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. As the voters in the City approved this tax, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

FINANCIAL POLICIES

BASIS OF ACCOUNTING . . . The City's accounting system is conducted on the modified accrual basis of accounting for all governmental fund types, expendable trust funds and agency funds. Under this basis, expenditures are recorded when liabilities are incurred and revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for the proprietary and non-expendable trust funds. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

DEBT SERVICE FUND BALANCE . . . A reasonable debt service fund balance is maintained in order to compensate for unforeseen events.

BUDGETARY PROCEDURES . . . The City Charter requires that on or before August 1, the City Manager submit to the City Council a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayers' comments. No later than the third Wednesday of September, the budget shall be adopted and legally enacted through passage of an ordinance and, if not, the budget submitted by the City Manager shall be deemed adopted by the City Council.

INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or its successor, or the National Credit Union Share Insurance Fund (the "NCUSIF") or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "PFIA"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the PFIA, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not les s than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service if the governing body of the City authorizes such investment in the particular pool by order, ordinance or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements of the PFIA, (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer, (9) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution, and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 9 – CURRENT INVESTMENTS*

As of January 31, 2020, the following percentages of the City's investible funds were invested in the following categories of investments:

Description	% of Value	Market Value
TexStar	50.19%	$ 51,517,915
TexPool	32.71%	33,573,817
Wells Fargo Safekeeping	17.11%	17,560,128
Total	100.00%	$ 102,651,860

*Unaudited.

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel to the City, assuming continuing compliance by the City with the tax covenants described below, under existing law, interest on the Certificates is excludable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals.

In rendering its opinion, Bond Counsel has relied on the City's covenants contained in the Ordinance and the City's covenants contained in the Federal Tax Certificate, that it will comply with the applicable requirements of the Code, relating to, inter alia, the use and investment of proceeds of the Certificates and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Certificates being subject to federal income tax from the date of issue of the Certificates. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Certificates that may affect the tax-exempt status of the interest.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the registered owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES. . . Prospective purchasers of the Certificates should be aware that the ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers including, without limitation, holders who may be deemed to have incurred or continued indebtedness to acquire or carry tax-exempt obligations, holders of certain interests in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Certificates will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010, the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Certificates will be included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the modified adjusted gross income of the taxpayer and certain other individuals. Modified adjusted gross income means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Certificates received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Certificates, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than designated "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year. However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income. Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

CHANGES IN FEDERAL AND STATE TAX LAW . . . From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value or marketability of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Certificates.

Prospective purchasers of the Certificates should consult with their own tax advisors regarding any other federal income tax legislation, whether currently pending or proposed, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE OF INFORMATION

AGREEMENT . . . In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("the MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide certain updated financial information and operating data annually to the MSRB through EMMA. The information to be updated includes financial information and operating data with respect to the City of the general type included in this Official Statement under Tables 1 through 4 and 6 through 9 (the "Annual Financial Information"). The City shall additionally provide financial statements of the City (the "Financial Statements") that will be (1) prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in APPENDIX B and (2) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City shall update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2020. The City may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available document, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide the Annual Financial Information by March 31 in each year and the Financial Statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of beneficial owners of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the City or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Certificates; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning as ascribed to it under federal securities laws. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance makes any provision for debt service reserves, credit enhancement or liquidity enhancement.

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The City intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under "Annual Reports" and "Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB. This information will be available from the MSRB via its EMMA system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by the City in accordance with the Rule.

OTHER INFORMATION

RATING. . . The Certificates and the presently outstanding uninsured tax-supported debt of the City are rated "AA-" by S&P Global Ratings, a divisions of S&P Global, Inc. ("S&P"). The City also has various issues outstanding which are rated based on insurance provided by various municipal bond insurance companies. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the view of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

LITIGATION . . . It is the opinion of the City Attorney and City staff that there is no pending or threatened litigation against the City that would have a material adverse financial impact upon the City or its operations.

At the time of initial delivery of the Certificates, the City will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE . . . The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINION . . . The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinion of the Attorney General of the State of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein. The form of such opinion of Bond Counsel is attached hereto as APPENDIX C. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Certificates in the Official Statement under the captions "PLAN OF FINANCING" (other than the information under the subcaption "Uses of Proceeds"), "THE CERTIFICATES" (other than information under the subcaptions "Book-Entry-Only System" and "Certificateholders' Remedies"), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (other than information under the subcaption "Compliance with Prior Undertakings"), and under the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Opinion" (excluding the last two sentences of the first paragraph thereof) under the caption "OTHER INFORMATION," and such firm is of the opinion that the information relating to the Certificates contained under such captions and subcaptions is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas. The fees to be paid Bond Counsel and Underwriters' counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR . . . RBC Capital Markets, LLC is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. RBC Capital Markets, LLC, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION . . . The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at prices equal to the initial offering prices to the public as shown on page 2 of this Official Statement, less an underwriting discount of $152,587.04. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibility to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

INFECTIOUS DISEASE OUTBREAK – COVID-19 . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration was extended in both April and May. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on May 5, 2020 of Executive Order GA-21 (as amended by Executive Order GA-22), which expired on May 19, 2020. Executive Order GA-21 addressed, among other things, limitations on social gatherings and in-person contact except where necessary to provide or obtain essential services or reopened services (including certain retail services), as such services are defined in state and federal guidance and future executive orders or proclamations of the Governor. On May 18, 2020 the Governor issued Executive Order No. GA-23, effective until June 3, 2020, but subject to extension based on the status of COVID-19 in Texas and the recommendations of the Governor's Strike Force to Open Texas, the White House Coronavirus Task Force, and the CDC. Executive Order No. GA-23, among other things, maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household except to provide or obtain services included on a list of services defined as "Covered Services." Executive Order No. GA-23 provides for a phased expansion of the scope of services that are considered Covered Services and thus the reopening of businesses in Texas, but such openings remain subject to future restrictions in the Governor's discretion based on factors such as an increase in the transmission of COVID-19 or in the amount of COVID-19-related hospitalizations or fatalities. In addition to the actions by state and federal officials, local officials have declared local states of disaster, including declarations in the City effective until July 25, 2020 and Hays County effective until, July 26, 2020. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City. See "TAX INFORMATION." The Certificates are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's operations and maintenance expenses. See "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations" and "– Debt Tax Rate Limitations." Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition or its ratings. See "OTHER INFORMATION – Rating."

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

MISCELLANEOUS . . . The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Underwriters in accordance with the provisions of the Rule.

Travis Mitchell
Mayor
City of Kyle, Texas

ATTEST:
Jennifer Vetrano
City Secretary
City of Kyle, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of Kyle (the “City”) is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State including the City's Home Rule Charter, initially adopted by the voters in the year 2000, and as amended in 2006, 2016 and 2018.

The City operates as a Home Rule City under a Council-Manager form of government with a City Council comprised of the Mayor and six Council Members. The City Manager is the chief executive officer for the City. The City covers approximately 31.25 square miles and has an estimated population of 52,300 in 2020.

The City is a thriving community having easy access to major highway and roadways, including Interstate Highway 35. The City is strategically located eight miles north of San Marcos, 20 miles south of Austin and 60 miles north of San Antonio. The City is the second largest city in Hays County and enjoys a south central location convenient to most major population and employment centers in Texas.

THE COUNTY

Hays County was created in 1843 from Travis County in south central Texas. The County is a component of the Austin Metropolitan Statistical Area and is traversed by Interstate Highway 35, U.S. Highway 290, State Highways 21 and 123 and ten farm-to-market roads. Hays County is the 34th largest county in the State and the 4th fastest growing economy. The City of San Marcos is the county seat. Other towns include Buda, Dripping Springs, Hays, Driftwood, Mountain City, and Wimberley.

LABOR MARKET PROFILE

Hays County		
	December 2019	December 2018
Civilian Labor Force	118,190	115,217
Total Employed	115,192	111,943
Total Unemployed	2,998	3,274
Unemployment Rate	2.5%	2.8%

State of Texas		
	December 2019	December 2018
Civilian Labor Force	14,228,471	13,975,415
Total Employed	13,758,042	13,473,628
Total Unemployed	470,429	501,787
Unemployment Rate	3.3%	3.6%

City of Kyle		
	December 2019	December 2018
Civilian Labor Force	24,241	23,594
Total Employed	23,574	22,909
Total Unemployed	667	685
Unemployment Rate	2.8%	2.9%

Source: Texas Workforce Commission.

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APPENDIX B

EXCERPTS FROM THE

CITY OF KYLE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the City of Kyle, Texas Annual Financial Report for the Year Ended September 30, 2019, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Kyle, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kyle, Texas (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund; Notes to the Budgetary Comparison Schedule; the Schedule of OPEB Contributions; the Schedule of Changes in the Net OPEB Liability and Related Ratios; the Schedule of Investment Returns—OPEB; the Schedule of Changes in the Total OPEB Liability and Related Ratios—SDBF OPEB; the Schedule of Changes in Net Pension Liability and Related Ratios—Retirement Plan and the Schedule of Employer Contributions—Retirement Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Austin, Texas
March 6, 2020

The City management is pleased to present the City of Kyle's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2019.

The Management's Discussion and Analysis (MD&A) section of the CAFR presents a narrative overview and analysis of the financial activities of the City of Kyle for the year ended September 30, 2019. The analysis is intended to assist readers in focusing on key financial issues and changes in the City's financial position and in identifying any significant variances from the approved budget.

We encourage our readers to consider the information presented in this section of the annual report in conjunction with additional information that we have provided in our letter of transmittal and the financial statements furnished in this report.

FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows exceeded total liabilities and deferred inflows at the end of fiscal year 2019 resulting in a net position of $233.4 million as of September 30, 2019. Of the total $233.4 million net position, $55.2 million remained unrestricted and is available to meet any future obligations of the City.
- Net position for all governmental activities totaled $93.9 million and $139.5 million for business-type activities at September 30, 2019.
- $3.6 million or 8.5% decrease in the combined fund balance totaling $38.9 million for all governmental funds at September 30, 2019 as compared to the prior fiscal year.
- $3.9 million or 20.1% decrease in the ending balance of the City's General Fund totaling $15.5 million at September 30, 2019 as compared to the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Kyle's basic financial statements, consisting of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide statements are as follows:

- The **Statement of Net Position** presents information on all of the City's assets, deferred outflows and deferred inflows, liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Kyle is improving or deteriorating.
- The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying

event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement including items that will only result in cash flows in future fiscal periods, such as revenue for uncollected taxes and expenditures for earned but unused vacation leave. This statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, planning, economic development, street maintenance, code enforcement, recreation and culture, and solid waste and recycling services. The business-type activities of the City include services provided by the water and wastewater utility system.

Fund Financial Statements

The fund financial statements are intended to report financial information in groupings of related accounts used to account for and manage resources that have been designated for specific activities or objectives. The City of Kyle, like other local governments, utilizes a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These funds focus on current sources and uses of resources and on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating what financial resources are available in the near term to finance the City's future obligations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's General Fund is reported as a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. In addition, the City maintains several governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for each major fund which is first shown on the Balance Sheet for Governmental Funds.

A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the annual budget appropriations and is presented as required supplementary information. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements.

Proprietary Funds – are generally used to account for services for which the City charges customers. Proprietary fund statements provide the same type of information shown in government-wide financial statements, only in more detail.

The City maintains one type of proprietary fund, an Enterprise Fund. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for its water operations, wastewater utility operations, and storm drainage.

Fiduciary Funds – are used to account for resources held in a trust or agency capacity. These funds cannot be used to support governmental activities. The City uses an Other Post Employment Benefit Trust Fund to account for and report resources that are required to be held and committed to a trust for members of the city-paid retiree health insurance benefit plan.

Basis of Reporting – The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

Other Information

The Required Supplementary Information (RSI) section immediately follows the basic financial statements and accompanying notes to the financial statements section of this annual report. The City adopts an annual appropriated budget for the General Fund. The RSI section provides a comparison of revenues, expenditures, and other financing sources and uses of budgetary resources and demonstrates budgetary compliance for the General Fund and this section also provides a schedule of funding process for the retirement plan.

In addition, following the RSI section are other statements and schedules, including the combining statements for non-major governmental funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. For the fiscal year ending September 30, 2019, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $233.4 million.

Below are summary highlights of the City's Net Position as of the end of fiscal year 2019 at September 30, 2019:

- Governmental Activities:
  - ❖ Current and Other Assets decreased by $3.3 million or 7.3% primarily from the net results of operations.
  - ❖ Capital Assets increased by a net $6.9 million or 5.4% at fiscal year-end. Capital outlay total $9.8 million net of depreciation of $5.7 million.
  - ❖ Liabilities decreased by a net $4.2 million or 4.60% as a result of debt service payments.

- Business-type Activities:
  - Current and Other Assets increased by a $10.4 million or 24.0% primarily from the net results of operations.
  - Capital Assets increased by a net $10.5 million or 13.3%, primarily from wastewater projects.
  - Total liabilities increased by a net $1.5 million or 61.2% primarily from an increase in accounts payable and an increase in the Net Pension Liability.

The following table reflects a condensed summary of Statement of Net Position compared to prior year:

City of Kyle, Texas
Net Position Information
For the Fiscal Year Ended September 30, 2019
(With Comparative Totals for September 30, 2018)

	Government Activities		Business-type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Current & other assets	$ 42,074,969	$ 45,400,266	$ 53,617,162	$ 43,250,984	$ 95,692,131	$ 88,651,250
Capital assets	134,992,688	128,071,603	89,394,471	78,905,383	224,387,159	206,976,986
Total assets	$ 177,067,657	$ 173,471,869	$ 143,011,633	$ 122,156,367	$ 320,079,290	$ 295,628,236
Total Deferred Outflow of Resources						
Charge for Refunding	$ 1,523,726	$ 1,523,726	$ -	$ -	$ 1,523,726	$ 1,523,726
Pension Plan	2,106,889	1,081,264	725,189	372,171	2,832,078	1,453,435
OPEB Plan	142,407	141,413	47,473	47,139	189,880	188,552
Total Deferred	$ 3,773,022	$ 2,746,403	$ 772,662	$ 419,310	$ 4,545,684	$ 3,165,713
Liabilities	$ 4,190,829	$ 3,773,972	$ 2,700,148	$ 1,639,145	$ 6,890,977	$ 5,413,117
Non-current liabilities	81,948,624	86,539,344	1,321,802	856,388	83,270,426	87,395,732
Total liabilities	$ 86,139,453	$ 90,313,316	$ 4,021,950	$ 2,495,533	$ 90,161,403	$ 92,808,849
Total Deferred Inflow of Resources						
Pension Plan	$ 682,436	$ 895,382	$ 234,893	$ 308,189	$ 917,329	$ 1,203,571
OPEB Plan	86,334	5,143	28,778	1,715	115,112	6,858
Total Deferred	$ 768,770	$ 900,525	$ 263,671	$ 309,904	$ 1,032,441	$ 1,210,429
Net investment in capital assets	$ 67,862,885	$ 64,905,304	$ 89,394,468	$ 78,905,383	$ 157,257,353	$ 143,810,687
Restricted	1,472,943	4,035,118	19,526,325	19,789,807	20,999,268	23,824,925
Unrestricted	24,596,629	16,064,010	30,577,878	21,075,053	55,174,507	37,139,063
Total of Net Position	$ 93,932,457	$ 85,004,432	$ 139,498,671	$ 119,770,243	$ 233,431,128	$ 204,774,675

The largest portion of the City's $233.4 million net position includes $157.3 million or 67.4% is its investment in capital assets (e.g., land, buildings, machinery, and equipment); less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of depreciation and related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another major portion of the City's $233.4 million net position is its restricted resources totaling $21.0 million or 9.0% to be used for capital improvements. The City's $233.4 million net position also includes resources restricted for special purposes such as for the municipal court and law enforcement in the amount of $0.16 million or 0.07% and $.4 million or 0.2% for debt service. The remaining balance of the City's $233.4 million net position comprised of unrestricted resources totaling $55.2 million or 23.6% which may be used to meet future obligations of the City of Kyle.

Changes in Net Position

The following table provides a summary of activities that resulted in the changes to the City's Net Position compared to prior year.

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City of Kyle, Texas
Changes in Net Position Information
For the Fiscal Year Ended September 30, 2019
(With Comparative Totals for September 30, 2018)

	Government Activities		Business-type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue						
Program Revenue						
Charges for services	$ 8,942,488	$ 9,117,969	$ 20,020,127	$ 18,814,870	$ 28,962,615	$ 27,932,839
Operating grants and contributions	342,145	231,083	-	-	342,145	231,083
Capital grants and contributions	-	7,517,365	6,812,529	20,757,496	6,812,529	28,274,861
General Revenue						
Property taxes	17,204,168	15,521,498	-	-	17,204,168	15,521,498
Sales tax	8,885,937	7,955,612	-	-	8,885,937	7,955,612
Franchise tax	2,414,998	2,430,996	-	-	2,414,998	2,430,996
Other taxes	508,867	421,490	-	-	508,867	421,490
Contributions not restricted	2,856,412	-	-	-	2,856,412	-
Investment earnings	2,165,517	1,220,859	-	40,351	2,165,517	1,261,210
Miscellaneous	-	-	3,008,875	235,958	3,008,875	235,958
Total Revenue	$ 43,320,532	$ 44,416,872	$ 29,841,531	$ 39,848,675	$ 73,162,063	$ 84,265,547
Expense						
General government	$ 7,992,807	$ 7,048,673	$ -	$ -	$ 7,992,807	$ 7,048,673
Public safety	7,429,713	7,589,067	-	-	7,429,713	7,589,067
Public works	8,533,187	8,509,720	-	-	8,533,187	8,509,720
Culture/Recreation	3,168,959	3,112,324	-	-	3,168,959	3,112,324
Interest on long term debt	2,202,445	3,117,190	-	-	2,202,445	3,117,190
Issuance Costs	-	-	-	-	-	-
Other debt service	2,700	3,150	-	-	2,700	3,150
Water	-	-	8,773,738	7,620,212	8,773,738	7,620,212
Wastewater	-	-	5,181,998	4,709,096	5,181,998	4,709,096
Storm Drainage	-	-	1,236,063	880,842	1,236,063	880,842
Total Expenses	$ 29,329,811	$ 29,380,124	$ 15,191,799	$ 13,210,150	$ 44,521,610	$ 42,590,274
Change in net position before Transfers	$ 13,990,721	$ 15,036,748	$ 14,649,732	$ 26,638,525	$ 28,640,453	$ 41,675,273
Transfers (net)	(5,078,700)	1,864,400	5,078,700	(1,864,400)	-	-
Change in net position	8,912,021	16,901,148	19,728,432	24,774,125	28,640,453	41,675,273
Net position - beginning	85,020,436	68,103,283	119,770,241	94,996,115	204,790,677	163,099,398
Net position - ending	$ 93,932,457	$ 85,004,431	$ 139,498,673	$ 119,770,240	$ 233,431,130	$ 204,774,671

Governmental Activities – Government-wide Statements

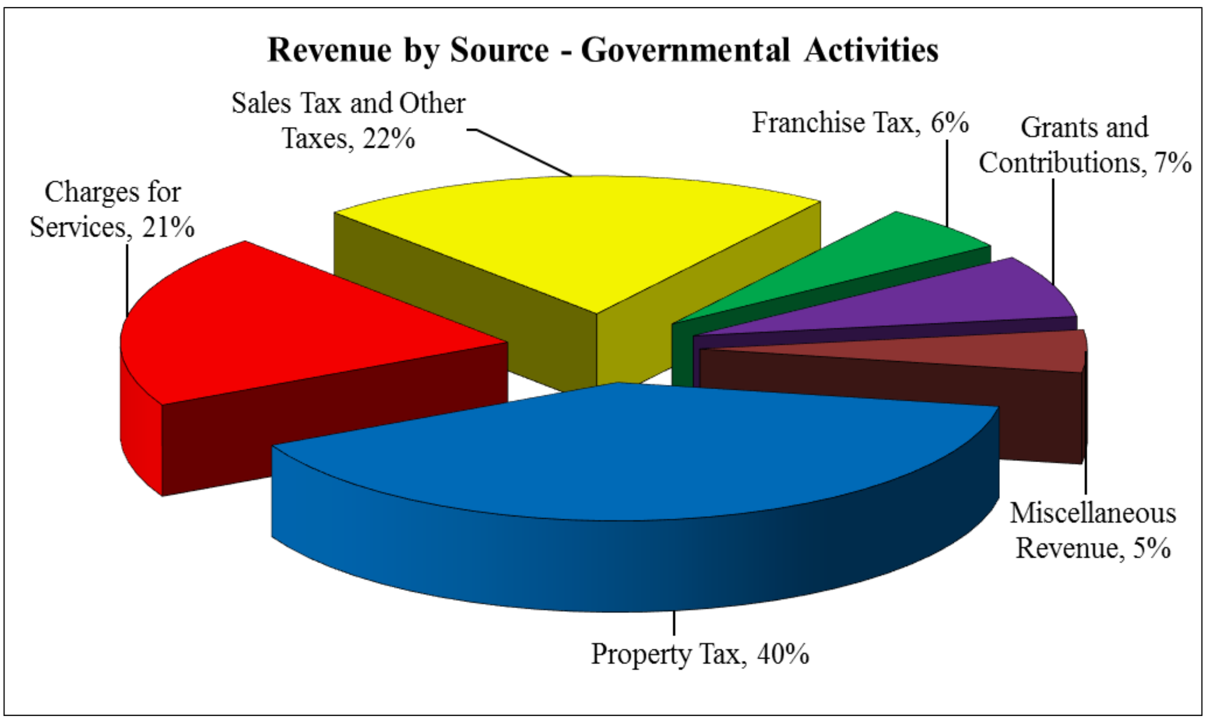
Governmental activities increased the City's net position by $8.9 million. Key elements of this change in net position are explained below:

Program Revenue. Total program revenue, which are charges for services, operating grants/contributions and capital grants/contributions decreased by approximately $0.1 million from the prior year due mainly to net decrease in charges for services of $.2 million and net decrease in operating and capital grants/contributions of $7.41 million.

General Revenue. Property taxes, sales tax, franchise fees, and other taxes increased by $2.7 million or 10.2%. Property tax increased by $1.7 million or 10.8%, sales tax increased by $0.9 million or 11.7%, investment earnings increased by $.94 million or 77.4% and other taxes increased $0.09 million or 20.7% from the prior fiscal year.

Expenses. Governmental expenses resulted in an overall decrease of $0.01 million or 0.2% compared to the prior year. Following are the main reasons for the increase in expenditures:

- General Government increased by $0.94 million or 13.4%.
- Public Safety decreased by $0.16 million or 2.1%. This decrease is due to the elimination of funding to Public Safety Grant Funds.
- Public Works increased by $0.02 million or 0.3%. This increase is the result of increase in operating costs associated with sanitation and recycling services.
- Culture and Recreation increased by $0.06 million or 1.8% and Bond Interest decreased by $0.91 million or 29.3%.
- Water, Wastewater, and Storm Drainage funds increased by $1.2 million or 15.1%.
- The legal level of budgetary control is maintained at the function level.

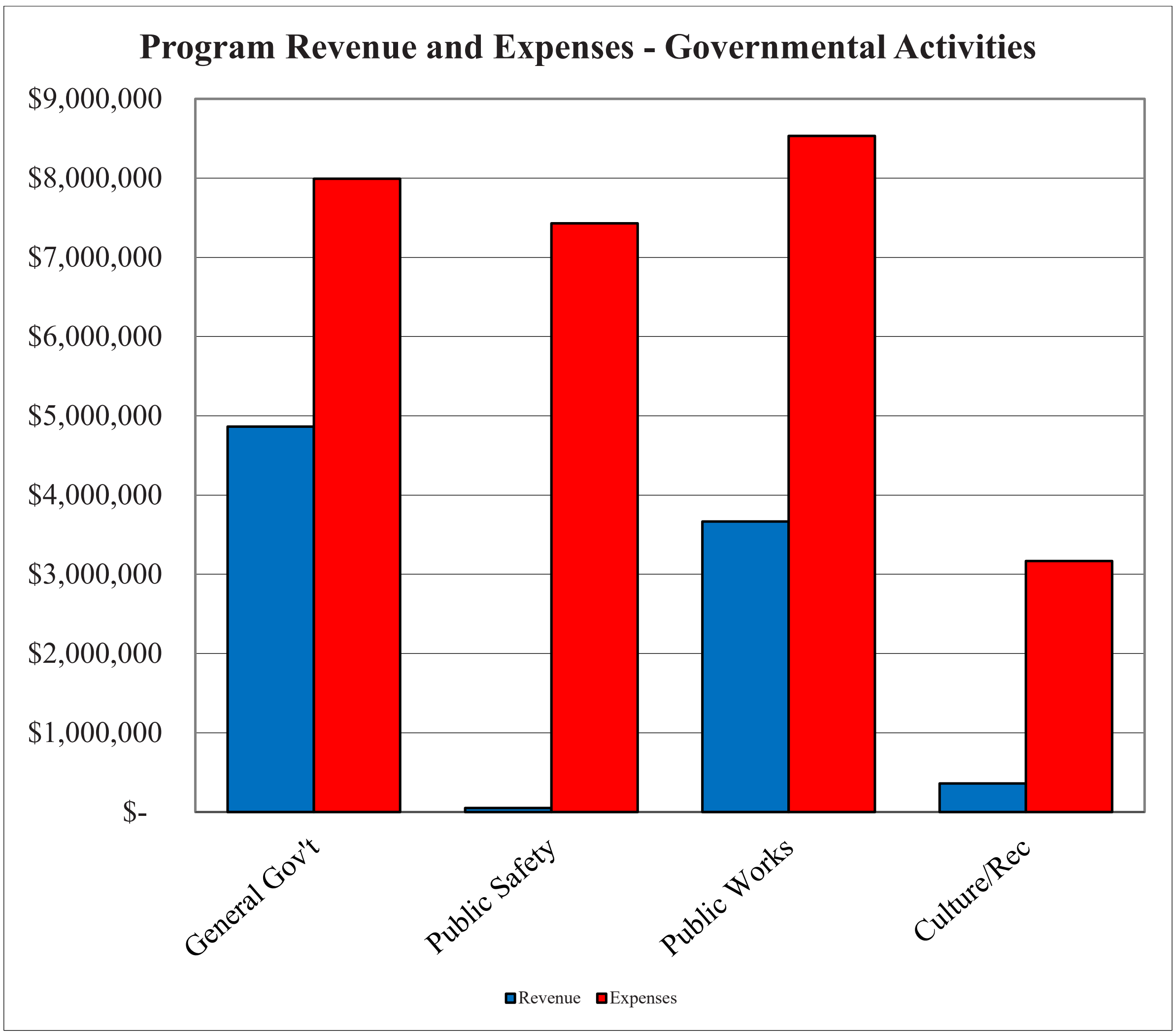


- As shown in the above chart, the primary sources of revenue for governmental activities are from property taxes ($17.2 million or 39.7%), charges for services ($8.9 million or 20.6%), and sales and other tax ($9.4 million or 21.7%).

- Charges for services include revenue sources such as fees for building inspections, plan review, recreational program fees, trash collection charges, etc.

- Revenue from property taxes increased by $1.7 million or 10.8% between 2018 and 2019. This increase is due to the increase in the certified tax roll for taxable assessed valuations from $2.64 billion in 2018 to $2.99 billion in 2019. The property tax rate adopted effective October 2018 (fiscal year 2019) was $0.5416 per $100 of assessed valuation which is the same rate as the previous year.

- Sales and other taxes which represented $9.4 million or 21.7% of total revenue for governmental activities increased from the prior year.

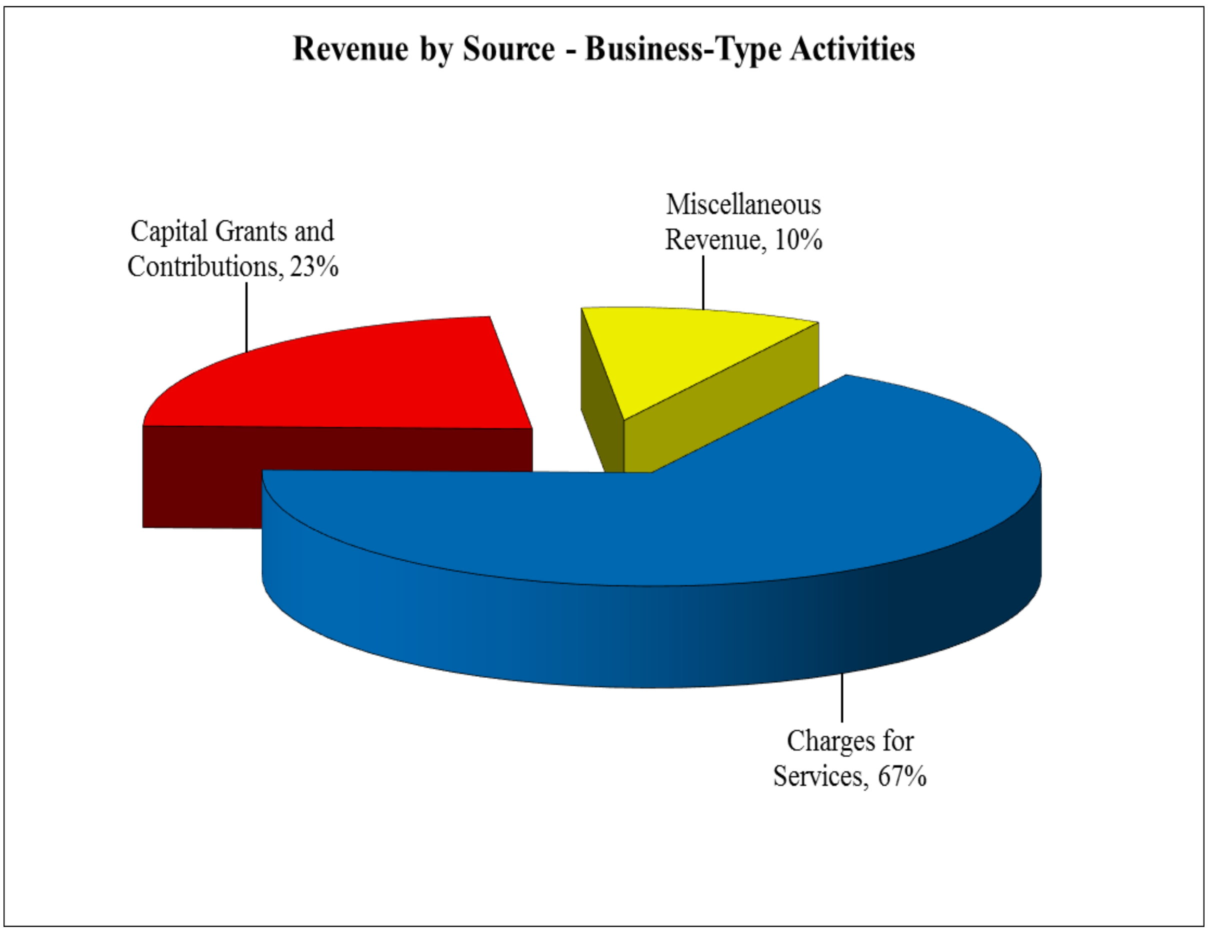


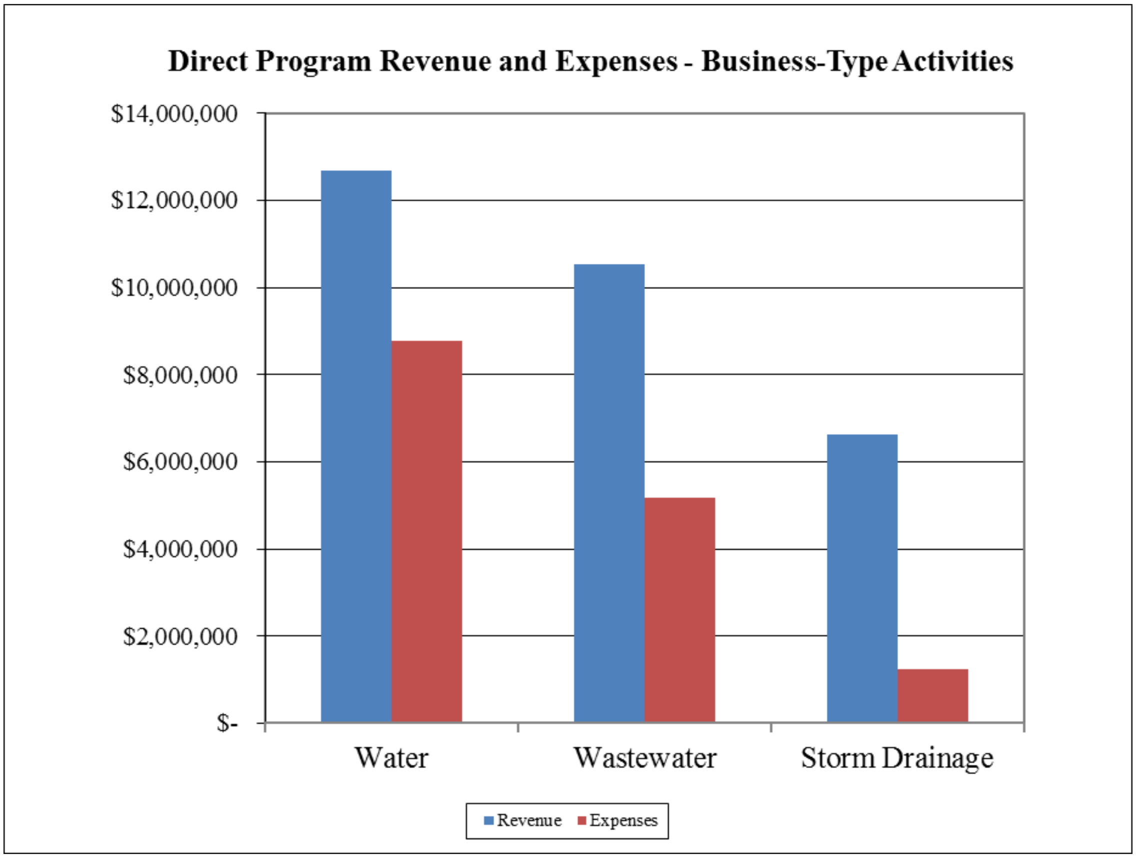
- Based on the chart above Public Works is the largest expense function ($8.5 million or 31.5%), which includes all street maintenance and sanitation services. This is followed by General Government ($8.0 million or 29.5%), Public Safety ($7.4 million or 27.4%), and Culture/Recreation ($3.2 million or 11.7%).

- Interest on Debt and Other Debt Fees do not have a source of program revenue so they are not included in the above chart. The balance of funding for all of the above activities comes from property, sales and other taxes, investment income and transfers from other funds.

Business-Type Activities – Government-wide Statements

Business-type activities increased the City's net position by $19.7 million in fiscal year 2019. This was the net result of $29.8 million in revenue, $15.2 million in expenses, and $5.1 million in transfers out. The two charts below provide similar information as shown previously but only for business-type activities instead of governmental activities.





Revenue. Charges for services revenue for business-type activities include City's Water, Wastewater and Storm Drainage Utility operations which increased from the prior year. Revenue from charges for services increased by $1.2 million or 6.4% from the prior year due to the addition of new customers. Contributions for capital grants decreased by $13.9 million as compared to the previous year. Investment earnings decreased by $0.04 million or 100.0% due to the use of cash and investments to pay for operating and capital activities.

Expenses. Business-type expenses totaled $15.2 million, an overall increase of $2.0 million or 15.0% from the prior fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The City reports the following types of governmental funds: the general fund, special revenue funds, debt service funds, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available at the end of the fiscal year.

As of September 30, 2019, the City's governmental funds reported combined ending fund balance of $38.9 million. Of this amount $23.4 million is restricted and the remaining $15.5 million is unassigned fund balance available for future obligations.

General Fund – The General Fund is the primary operating fund of the City. On September 30, 2019, the unassigned fund balance totaled $15.5 million. The unassigned General Fund Balance decreased by $3.9 million or 20.1% at September 30, 2019 as compared to the prior fiscal year primarily due a combination of increase in revenue and reduction in budgeted expenditures. The current year tax collection rate was 99.5% of the levy.

Overall, total General Fund revenue increased by $2.5 million or 9.5% and actual expenditures decreased by approximately $0.5 million or 2.2% during fiscal year 2019 as compared to the prior fiscal year 2018. General government functions, which serves as a roll-up for non-specific activities, decreased by $0.1 million or 1.4% over the prior year. Public Safety increased by $0.8 million or 12.5%, Culture/Recreation increased by $0.1 million or 5.6% and Public Works decreased by $0.3 million or 6.1%. The decrease was mainly due to decreases to non-CIP capital outlay items.

Budget Variances. All expenditures for the City's General Fund functions and activities were within adopted budget appropriations for fiscal year 2019. The following two charts illustrate first, a breakdown of general governmental activity revenue by source and second, a comparison of program revenue and expenditures by function.

The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. Revenues from property taxes used for Debt Service remained steady at $8.3 million in 2019. The related debt service also remained steady at $8.1 million, which is primarily attributable to outstanding debt in 2019.

The Capital Projects Funds are used to account for financial activity related to the City indebtedness for Capital Projects, other City contributions, and the operating activities of those projects. During 2019, fund balance increased by $1.9 million. The decrease in the Capital Projects was mainly due to fund the following projects: (i) paying professional services to plan, design, the acquisition of rights-of-way and the construction and improvement of the following City streets: Bunton Creek Road, North Burleson Street, Goforth Road, Lehman Road, and Marketplace Avenue was offset by total transfers in of $10.1 million used to fund these capital projects.

Other Governmental Funds – In addition to the General Fund, Governmental Funds include Special Revenue Funds, Debt Service Fund and Capital Projects Funds. As of September 30, 2019, the all Other Governmental Funds reported combined ending fund balance of $4.4 million. Please refer to Exhibit C-3 on pages 25 and 26 and Exhibit H-2 on pages 77 through 79 of the financial statements for detailed information pending to changes in fund balances for Governmental Funds.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. The City accounts for its Water, Wastewater Utility, and Storm Drainage operations in an Enterprise Fund within the Proprietary Fund category for business-type activities.

Operating revenue for the water fund showed a $0.4 million or 3.7% increase from the prior year, the operating revenue for the wastewater fund showed a $1.7 million or 17.9% decrease from the previous year. The storm drainage fund showed an $0.01 million or 0.8% decrease from the previous year. Factors that contributed to the increase in net position are discussed in the business-type activities section of the government-wide statements.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

The City of Kyle's investment in capital assets for its governmental and business type activities as of September 30, 2019, totaled $224.4 million (net of accumulated depreciation). This investment in capital assets include land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. The total increase in the City of Kyle's investment in capital assets for the fiscal year ended September 30, 2019 was $17.4 million or 8.4% from the prior year.

The following table summarizes the City of Kyle's investment in capital assets:

City of Kyle, Texas
Capital Assets Information
September 30, 2019
(With Comparative Totals for September 30, 2018)

	Government Activities		Business-type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Land	$ 4,208,810	$ 3,318,837	$ 691,935	$ 691,935	$ 4,900,745	$ 4,010,772
Buildings	17,370,715	17,243,564	3,113,623	3,113,623	20,484,338	20,357,187
Improvements other than buildings	4,647,801	4,438,531	99,656,741	92,844,213	104,304,542	97,282,744
Machinery and equipment	5,963,298	5,475,744	3,832,138	3,284,359	9,795,436	8,760,103
Infrastructure	142,085,996	140,106,381	-	-	142,085,996	140,106,381
Construction in Progress	14,958,585	6,049,870	11,907,009	5,752,903	26,865,594	11,802,773
Less: Accumulated depreciation	(54,242,517)	(48,561,326)	(29,806,976)	(26,781,651)	(84,049,493)	(75,342,977)
Total	$ 134,992,688	$ 128,071,601	$ 89,394,470	$ 78,905,382	$ 224,387,158	$ 206,976,983

Significant changes in capital asset balances during the fiscal year resulted from the following events:

- Road improvements totaled approximately $14.8 million for the year.
- Design and right-of-way acquisition primarily completed for the road projects.
- Contributed capital for the year totaled $9.6 million.

Detailed information on capital asset activity for the fiscal year ended September 30, 2019 is provided in Note D to the Financial Statements on pages 47 to 49.

Debt Management

At September 30, 2019, the City's net outstanding debt totaled $78.1 million. This is a decrease of approximately $5.9 million.

The City’s bond rating was maintained at AA- by Standard & Poor’s rating agency based on the City’s strong liquidity and financial position, stable economic growth outlook in Kyle, and the City’s strong financial management conditions due largely to its financial management practices.

The City of Kyle currently does not have any outstanding debt associated with special assessments such as for Public Improvement District bonds.

The table below summarizes the status of the City’s outstanding debt (principal amount only) as of September 30, 2019, with a comparison of outstanding debt from the prior year. In addition, please refer to Note F – Long-Term Liabilities on page 50 in the Notes to the Financial Statement for detailed information on the changes in long-term debt.

City of Kyle, Texas
Outstanding Debt Information
September 30, 2019
(With Comparative Totals for September 30, 2018)

	Government Activities		Business-type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Debt obligations	$ 38,410,003	$ 39,115,002	$ -	$ -	$ 38,410,003	$ 39,115,002
Premium on bonds	2,803,654	3,508,639	-	-	2,803,654	3,508,639
Refunding bonds	36,885,000	41,415,000	-	-	36,885,000	41,415,000
Capital lease - Plant	-	-	-	-	-	-
Total	$ 78,098,657	$ 84,038,641	$ -	$ -	$ 78,098,657	$ 84,038,641

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local Economy and Outlook

The City of Kyle residents enjoy a vibrant local economy and an excellent quality of life. Among the many factors attributing to the vibrancy of Kyle include a high per capita household income, low unemployment rate, educated workforce, employment growth, and the continued addition of new businesses in the consumer, medical, and light manufacturing sectors.

All leading indicators during fiscal year 2018 showed that the City of Kyle's local economy has fully recovered and the outlook over the next year's budget development cycle is that of continued growth.

Among the major indicators of a stable yet an expanding local economy include growth in population, building permits, taxable valuations, property tax collection rate, and the trend for sales tax collections. Accordingly, we are pleased to report the following trends in the economic indicators for the fiscal year ended September 30, 2019:

- 5.6% increase in taxable assessed property valuations from the prior year.
- 99.5% annual property tax collection rate.
- 5.0% projected annual increase in population through the year 2020.
- Public Safety Program Initiatives.
- Street Maintenance & Reconstruction Program.
- Park Improvement Program.
- Storm Drainage Improvement Program.
- Water and Wastewater Infrastructure Improvement & Expansion Program.
- Downtown Revitalization Grant Program.
- Downtown Beautification Plan.
- Annexation Plan.
- Tourism Plan.

Variances in Budget Appropriations
General Fund (Budgetary Basis) - Expenditures

	Original Budget	Final Budget	Actual Results
General Government	$ 7,801,131	$ 7,825,206	$ 6,857,897
Public Safety	7,532,817	7,532,817	7,186,604
Public Works	4,887,624	4,887,624	3,959,939
Culture and Recreation	2,803,298	2,848,298	2,673,633
Capital Outlay	666,000	663,000	547,091
	$ 23,690,870	$ 23,756,945	$ 21,225,164

Changes in original budget appropriations to the final amended budget appropriations resulted in a net $0.7 million increase in appropriations. This increase can be summarized by the following:

- General Government increased by approximately $24,075 due to budget amendments and due to rollover from prior year appropriations.
- Culture and Recreation and Capital Outlay had a net change of approximately $42,000 increase to adjusted appropriated balances to meet changing needs of the City throughout the year.

Next Year's Budget
The fiscal year 2019-20 Approved Budget totals $102.9 million and includes $32.7 million for the General Fund to provide public safety, code enforcement, parks, street maintenance, library, and other municipal services to the citizens of Kyle.

The fiscal year 2019-20 Budget was adopted without a property tax rate increase at $0.5416 per $100 of assessed taxable valuation. The budget provides for an average 3.0% pay increase for City employees, compliance with the meet and confer requirements for civil service employees, addition of positions for police officers, library, public works, animal control, and emergency dispatch operations.

The Approved Budget for fiscal year 2020 did not include any rate increase for water, wastewater, or fees and charges for city services. A 4.0% rate increase is included for solid waste collection service based on the contract terms entered by the City with Texas Disposal Systems.

REQUESTS FOR INFORMATION
Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kyle's Director of Finance, 100 West Center St., Kyle, Texas 78640.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

CITY OF KYLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Pooled Cash and Investments	$ 23,129,681	$ 31,311,819	$ 54,441,500
Restricted Pooled Cash and Investments	14,464,473	19,526,325	33,990,798
Receivable (Net of Allowance for Uncollectibles)	4,026,150	3,231,745	7,257,895
Internal Balances	454,245	(454,246)	(1)
Prepaid Items	420	1,519	1,939
Capital Assets:			
Nondepreciable, Capital Assets	19,167,582	12,598,944	31,766,526
Capital Assets (Net)	115,825,106	76,795,527	192,620,633
Total Assets	177,067,657	143,011,633	320,079,290
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	1,523,726	-	1,523,726
Deferred Outflow Related to Pension Plan	2,106,889	725,189	2,832,078
Deferred Outflow Related to OPEB Plan	142,407	47,473	189,880
Total Deferred Outflows of Resources	3,773,022	772,662	4,545,684
LIABILITIES			
Accounts Payable	2,332,539	1,644,140	3,976,679
Wages and Salaries Payable	278,866	269,462	548,328
Compensated Absences Payable	916,543	-	916,543
Contracts Payable	230,202	-	230,202
Customer Deposits	4,126	786,546	790,672
Accrued Interest Payable	345,852	-	345,852
Other Current Liabilities	2,074	-	2,074
Liabilities Payable from Restricted Assets	80,627	-	80,627
Noncurrent Liabilities:			
Debt Due Within One Year	5,430,000	-	5,430,000
Bonds Payable - Noncurrent	72,668,657	-	72,668,657
Net Pension Liability	3,541,565	1,219,001	4,760,566
Net OPEB Liability	308,402	102,801	411,203
Total Liabilities	86,139,453	4,021,950	90,161,403
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	682,436	234,893	917,329
Deferred Inflow Related to OPEB Plan	86,334	28,778	115,112
Total Deferred Inflows of Resources	768,770	263,671	1,032,441
NET POSITION			
Net Investment in Capital Assets	67,862,885	89,394,468	157,257,353
Restricted for:			
Restricted for Capital Acquisition	-	19,526,325	19,526,325
Restricted for Debt Service	357,755	-	357,755
Restricted for Tourism and Other Purposes	1,115,188	-	1,115,188
Unrestricted Net Position	24,596,629	30,577,878	55,174,507
Total Net Position	$ 93,932,457	$ 139,498,671	$ 233,431,128

The notes to the financial statements are an integral part of this statement.

CITY OF KYLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	$ 7,992,807	$ 4,865,343	$ -	$ -
Public Safety	7,429,713	51,323	15,680	-
Public Works	8,533,187	3,666,559	326,465	-
Culture and Recreation	3,168,959	359,263	-	-
Interest on Debt	2,205,145	-	-	-
Total Governmental Activities	29,329,812	8,942,488	342,145	-
BUSINESS-TYPE ACTIVITIES:				
Water Fund	8,773,739	11,117,332	-	1,314,016
Wastewater Fund	5,182,000	7,380,327	-	1,731,894
Storm Drainage Fund	1,236,061	1,522,468	-	3,766,618
Total Business-Type Activities	15,191,800	20,020,127	-	6,812,529
TOTAL PRIMARY GOVERNMENT	$ 44,521,612	$ 28,962,615	$ 342,145	$ 6,812,529

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
General Sales and Use Taxes
Franchise Tax
Other Taxes

Contributions
Miscellaneous Revenue
Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (3,127,464)	$ -	$ (3,127,464)
(7,362,710)	-	(7,362,710)
(4,540,163)	-	(4,540,163)
(2,809,696)	-	(2,809,696)
(2,205,145)	-	(2,205,145)
(20,045,179)	-	(20,045,179)
-	3,657,609	3,657,609
-	3,930,221	3,930,221
-	4,053,025	4,053,025
-	11,640,856	11,640,856
(20,045,179)	11,640,856	(8,404,323)
8,820,547	-	8,820,547
8,383,621	-	8,383,621
8,885,937	-	8,885,937
2,414,998	-	2,414,998
508,867	-	508,867
2,856,412	-	2,856,412
-	3,008,875	3,008,875
2,165,517	-	2,165,517
(5,078,700)	5,078,700	-
28,957,199	8,087,575	37,044,774
8,912,021	19,728,431	28,640,451
85,020,436	119,770,241	204,790,677
$ 93,932,457	$ 139,498,672	$ 233,431,128

CITY OF KYLE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects
ASSETS			
Pooled Cash and Investments	$ 12,993,604	$ -	$ 9,121,318
Restricted Pooled Cash and Investments	-	403,117	10,640,566
Receivable (Net)	3,779,922	129,500	-
Due from Other Funds	454,277	-	-
Prepaid Items	420	-	-
Total Assets	$ 17,228,223	$ 532,617	$ 19,761,884
LIABILITIES			
Accounts Payable	$ 994,883	$ 73,012	$ 1,110,062
Wages and Salaries Payable	278,871	-	-
Contracts Payable	230,202	-	-
Customer Deposits	4,126	-	-
Due to Other Funds	32	-	-
Other Current Liabilities	2,074	-	-
Developer Accounts Liability	80,627	-	-
Total Liabilities	1,590,815	73,012	1,110,062
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax	99,830	101,850	-
Total Deferred Inflows of Resources	99,830	101,850	-
FUND BALANCES			
Nonspendable Fund Balance:			
Prepaid Items	420	-	-
Restricted Fund Balance:			
Restricted Fund Balance - Tourism and Other	-	-	-
Restricted Fund Balance - Debt Service	-	357,755	-
Restricted Fund Balance - Capital Projects	-	-	18,651,822
Unassigned Fund Balance	15,537,158	-	-
Total Fund Balances	15,537,578	357,755	18,651,822
Total Liabilities, Deferred Inflows & Fund Balances	$ 17,228,223	$ 532,617	$ 19,761,884

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
$ 1,014,759	$ 23,129,681
3,420,790	14,464,473
116,728	4,026,150
-	454,277
-	420
$ 4,552,277	$ 42,075,001
$ 154,582	$ 2,332,539
(5)	278,866
-	230,202
-	4,126
-	32
-	2,074
-	80,627
154,577	2,928,466
-	201,680
-	201,680
-	420
1,115,188	1,115,188
-	357,755
3,282,512	21,934,334
-	15,537,158
4,397,700	38,944,855
$ 4,552,277	$ 42,075,001

CITY OF KYLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	$	38,944,855
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		56,894,033
Some revenue, expense, and deferred outflows/inflows, reported in the statment of activities do not require the use or provide current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.		(1,906,431)

Deferred Charge on Refunding	$1,523,726
Net Pension Liability	(3,541,565)
Deferred Inflows Property Tax	201,680
Compensated Absences	(916,544)
Pension Plan Deferred Inflows	(682,436)
Pension Plan Deferred Outflows	2,106,889
Interest Accrual	(345,852)
Net OPEB Liability	(308,402)
OPEB Plan Deferred Outflows	142,407
OPEB Plan Deferred Inflows	(86,334)
Subtotal	$(1,906,431)

Net Position of Governmental Activities	$	93,932,457

The notes to the financial statements are an integral part of this statement.

CITY OF KYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	$ 8,720,717	$ 8,281,771	$ -
General Sales and Use Taxes	8,885,937	-	-
Franchise Tax	2,342,762	-	-
Other Taxes	92,439	-	-
Licenses and Permits	1,373,768	-	-
Intergovernmental Revenue and Grants	2,000	-	-
Charges for Services	4,450,059	-	-
Fines	661,736	-	-
Special Assessments	-	-	-
Investment Earnings	2,165,430	-	-
Rents and Royalties	7,130	-	-
Contributions & Donations from Private Sources	40,000	-	-
Other Revenue	371,262	-	-
Total Revenues	29,113,240	8,281,771	-
EXPENDITURES:			
Current:			
General Government	6,857,899	-	126
Public Safety	7,186,604	-	-
Public Works	3,959,939	-	-
Culture and Recreation	2,673,633	-	-
Debt Service:			
Principal on Debt	-	5,235,000	-
Interest on Debt	-	2,934,168	-
Capital Outlay:			
Capital Outlay	547,091	-	8,215,888
Total Expenditures	21,225,166	8,169,168	8,216,014
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,888,074	112,603	(8,216,014)
OTHER FINANCING SOURCES (USES):			
Transfers In	986,506	1,962,754	10,141,908
Transfers Out (Use)	(12,774,950)	(5,191,454)	-
Total Other Financing Sources (Uses)	(11,788,444)	(3,228,700)	10,141,908
Net Change in Fund Balances	(3,900,370)	(3,116,097)	1,925,894
Fund Balance - October 1 (Beginning)	19,437,948	3,473,852	16,725,928
Fund Balance - September 30 (Ending)	$ 15,537,578	$ 357,755	$ 18,651,822

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
$ -	$ 17,002,488
-	8,885,937
72,236	2,414,998
416,428	508,867
-	1,373,768
340,145	342,145
682,267	5,132,326
-	661,736
689,810	689,810
87	2,165,517
-	7,130
21,326	61,326
706,457	1,077,719
2,928,756	40,323,767
174,343	7,032,368
19,692	7,206,296
-	3,959,939
48,197	2,721,830
-	5,235,000
-	2,934,168
1,044,211	9,807,190
1,286,443	38,896,791
1,642,313	1,426,976
133,042	13,224,210
(336,506)	(18,302,910)
(203,464)	(5,078,700)
1,438,849	(3,651,724)
2,958,851	42,596,579
$ 4,397,700	$ 38,944,855

CITY OF KYLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Net Change in Fund Balances - Governmental Funds	$	(3,651,724)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase (decrease) the change in net position.		15,042,190

Capital Outlay	$9,807,190
Principal Payments	5,235,000
Subtotal	$15,042,190

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(5,681,191)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflow, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		3,202,746
Change in Net Position of Governmental Activities	$	8,912,021

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

CITY OF KYLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
ASSETS				
Current Assets:				
Pooled Cash and Investments	$ 9,814,269	$ 20,649,713	$ 847,837	$ 31,311,819
Accounts Receivable-Net of Uncollectible Allowance	1,991,275	1,009,877	230,593	3,231,745
Due from Other Funds	48,341	770,694	3,766	822,801
Prepaid Items	521	393	605	1,519
Total Current Assets	11,854,406	22,430,677	1,082,801	35,367,884
Noncurrent Assets:				
Restricted Pooled Cash and Investments	6,317,354	13,208,971	-	19,526,325
Capital Assets:				
Nondepreciable, Capital Assets	1,711,047	10,887,897	-	12,598,944
Capital Assets - Net of Accumulated Depreciation	27,684,802	32,424,303	16,686,422	76,795,527
Total Noncurrent Assets	35,713,203	56,521,171	16,686,422	108,920,796
Total Assets	47,567,609	78,951,848	17,769,223	144,288,680
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	298,810	273,747	152,632	725,189
Deferred Outflow Related to OPEB Plan	20,888	18,988	7,597	47,473
Total Deferred Outflows of Resources	319,698	292,735	160,229	772,662
LIABILITIES				
Current Liabilities:				
Accounts Payable	635,683	978,425	30,035	1,644,143
Wages and Salaries Payable	132,690	108,154	28,618	269,462
Customer Deposits	479,152	307,394	-	786,546
Due to Other Funds	1,251,715	26,359	(1,027)	1,277,047
Total Current Liabilities	2,499,240	1,420,332	57,626	3,977,198
Noncurrent Liabilities:				
Net Pension Liability	502,283	460,153	256,565	1,219,001
Net OPEB Liability	45,232	41,120	16,449	102,801
Total Noncurrent Liabilities	547,515	501,273	273,014	1,321,802
Total Liabilities	3,046,755	1,921,605	330,640	5,299,000
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	96,787	88,669	49,437	234,893
Deferred Inflow Related to OPEB Plan	12,662	11,512	4,604	28,778
Total Deferred Inflows of Resources	109,449	100,181	54,041	263,671
NET POSITION				
Net Investment in Capital Assets	29,395,846	43,312,200	16,686,422	89,394,468
Restricted for Capital Improvement - Impact Fee	6,317,354	13,208,971	-	19,526,325
Unrestricted Net Position	9,017,903	20,701,626	858,349	30,577,878
Total Net Position	$ 44,731,103	$ 77,222,797	$ 17,544,771	$ 139,498,671

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

CITY OF KYLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
OPERATING REVENUES:				
Charges for Services	$ 11,117,332	$ -	$ -	$ 11,117,332
Charges for Sewerage Service	-	7,380,327	-	7,380,327
Storm Drainage Fee	-	-	1,522,468	1,522,468
Rents and Royalties	32,400	-	-	32,400
Other Revenue	89,711	55,237	-	144,948
Total Operating Revenues	11,239,443	7,435,564	1,522,468	20,197,475
OPERATING EXPENSES:				
Personnel Services - Salaries and Benefits	2,064,538	1,658,525	646,891	4,369,954
Purchased Professional & Technical Services	5,279,492	1,419,355	156,796	6,855,643
Other Operating Costs	452,193	475,590	13,095	940,878
Depreciation	977,516	1,628,530	419,279	3,025,325
Total Operating Expenses	8,773,739	5,182,000	1,236,061	15,191,800
Operating Income	2,465,704	2,253,564	286,407	5,005,675
NONOPERATING REVENUES (EXPENSES):				
Contributions & Donations from Private Sources	125,000	200,000	3,542	328,542
Other Non-Operating Revenues - Impact Fees	1,159,121	1,343,864	-	2,502,985
Total Nonoperating Revenue (Expenses)	1,284,121	1,543,864	3,542	2,831,527
Income Before Contributions & Transfers	3,749,825	3,797,428	289,949	7,837,202
Capital Contributions	1,314,016	1,731,894	3,766,618	6,812,528
Transfers In	735,109	17,068,996	25,000	17,829,105
Transfers Out (Use)	(4,119,383)	(8,606,022)	(25,000)	(12,750,405)
Change in Net Position	1,679,567	13,992,296	4,056,567	19,728,430
Total Net Position - October 1 (Beginning)	43,051,536	63,230,501	13,488,204	119,770,241
Total Net Position - September 30 (Ending)	$ 44,731,103	$ 77,222,797	$ 17,544,771	$ 139,498,671

The notes to the financial statements are an integral part of this statement.

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 10,387,226	$ 7,497,787	$ 1,551,420	$ 19,436,433
Payments to Suppliers	(5,531,832)	(1,417,408)	(184,503)	(7,133,743)
Payment to Employees	(2,010,877)	(1,619,168)	(625,738)	(4,255,783)
Net cash provided by operating activities	$ 2,844,517	$ 4,461,211	$ 741,179	$ 8,046,907
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Payments (advances) from other funds	$ 383,592	$ 2,510	$ (3,766)	$ 382,336
Transfers Out	(3,384,274)	8,462,974	-	5,078,700
Net cash provided (used) by non-capital financing activities	$ (3,000,682)	$ 8,465,484	$ (3,766)	$ 5,461,036
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	$ (538,411)	$ (5,822,299)	$ (341,389)	$ (6,702,099)
Contributions	125,000	200,000	3,543	328,543
Impact fees	1,159,121	1,343,864	-	2,502,985
Net cash provided (used) by capital and related financing activities	$ 745,710	$ (4,278,435)	$ (337,846)	$ (3,870,571)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment	$ -	$ -	$ -	$ -
Interest and investment revenue received	-	-	-	-
Net cash provided by investing activities	$ -	$ -	$ -	$ -
Net increase in cash and cash equivalents	$ 589,545	$ 8,648,260	$ 399,567	$ 9,637,372
Cash and cash equivalents - beginning of year	$ 15,542,078	$ 25,210,424	$ 448,270	$ 41,200,772
Cash and cash equivalents - end of year	$ 16,131,623	$ 33,858,684	$ 847,837	$ 50,838,144
Noncash flow information				
Capital Contribution	$ 1,314,016	$ 1,731,894	$ 3,766,618	$ 6,812,528

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT D-3

CITY OF KYLE, TEXAS
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Total Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 2,465,704	$ 2,253,564	$ 286,407	$ 5,005,675
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	$ 977,516	$ 1,628,530	$ 419,279	$ 3,025,325
Changes in assets and liabilities				
Prepaid Items	$ (2,568)	$ (317,835)	$ -	$ (320,403)
Accounts receivable	(866,419)	46,945	28,952	(790,522)
Accounts payable	202,421	795,372	(14,612)	983,181
Wages and salaries payable	26,647	14,596	7,099	48,342
Customer deposits	14,202	15,278	-	29,480
Pension Liability	204,414	187,270	104,415	496,099
OPEB Liability	(13,501)	(12,275)	(4,909)	(30,685)
Deferred Outflows	(145,606)	(133,392)	(74,354)	(353,352)
Deferred Inflows	(18,293)	(16,842)	(11,098)	(46,233)
Net cash provided by operating activities	$ 2,844,517	$ 4,461,211	$ 741,179	$ 8,046,907

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT E-1

CITY OF KYLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2019

	OPEB Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 3,881	$ 144,706
Investments	1,400,331	
Accounts Receivable (Net)	-	11,794
Total assets	1,404,212	156,500
LIABILITIES		
Other liability	$ -	$ 156,500
Total liabilities	$ -	$ 156,500
NET POSITION		
Net position restricted for OPEB	$ 1,404,212	
Total net position	$ 1,404,212	

The accompanying notes are an integral part of the financial statements.

CITY OF KYLE
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2018

		OPEB Trust Fund
ADDITIONS		
Contributions	$	156,500
Net Investments income		51,957
Interest and dividends (includes fair value changes)		7,353
Total Additions	$	215,809
DEDUCTIONS		
Benefit payments	$	(5,841)
Administrative expenses		(10,819)
Total Deductions	$	(16,660)
Change in net position	$	199,149
NET POSITION, beginning	$	1,205,063
NET POSITION, ending	$	1,404,212

The accompanying notes are an integral part of the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kyle, Texas (the City) adopted a City Charter in October 2000. As a home rule form of government, the City Council determines policy. The City Manager is the Chief Administrator of the City and is appointed by the City Council. The City provides the following services: Public Safety, Street Maintenance, Refuse Collection, Recreation Programs, Municipal Court, Community Development, Public Improvements, Water and Wastewater Services and General Administrative Services.

A. Reporting Entity

The Mayor and Council are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the City is a primary government as defined by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements comply with the provisions of GASB Statement No. 14 and 61. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

Future GASB Statement Implementations

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 87, *Leases,* establishes criteria for a single model for lease accounting and financial reporting for state and local governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 92, *Omnibus 2020* addresses a variety of topics and includes specific provisions for the effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases*; the reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements; the measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; the reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective after June 15, 2020 except for the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance (January 2020). The City has not yet determined the effect this Statement will have on its financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-wide and Fund Financial Statements (Cont'd)

The Statement of Net Position reflects both short-term and long-term assets and liabilities, as well as deferred inflows and outflows. In the Government-wide Statement of Net Position, governmental activities are reported separately from business-type activities. Long term assets, such as capital assets, long-term obligations, such as debt, and any deferred inflows and outflows, are reported in the statement of net position. The components of Net Position are presented in three separate categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Interfund receivables and payables within governmental and business-type activities have been eliminated in the government-wide Statement of Net Position, which minimizes the duplication within the governmental and business-type activities. The net amount of interfund transfers or interfund receivables/payables between governmental, proprietary and fiduciary funds is the balance reported in the Statement of Net Position.

The Statement of Activities demonstrates how a given function or segment that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue including contributions is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

The fund financial statements provide information on the financial position and the change in fund balance for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied as a lien attaches to the real property by operation of law. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental and fiduciary funds and between proprietary funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

The modified accrual basis of accounting recognizes revenues in the accounting period they are both measurable and available. Revenues, other than grants, are considered to be available by the City when they are available and expected to be collected within the current budgetary periods or within 60 days thereafter, to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, regardless of the related cash flows. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when the liability is matured.

Revenues from local sources consist primarily of property taxes and sales taxes. Property, sales and other tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City's availability period is no more than 60 days beyond the end of the fiscal year. Revenues from state and federal grants are recorded as revenue when they are expected to be collected within the current budgetary period, or within 60 days thereafter, and all eligibility requirements have been met. Investment earnings are recorded as earned, since they are both measurable and available.

The Proprietary Funds and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred, regardless of the timing of the related cash flow. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into investment in capital assets, restricted, and unrestricted net position.

D. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled. The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds, but not on the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements. The criteria used to determine if a governmental or enterprise fund should be reported as a major fund are as follows: the total assets and deferred outflows of resources, the total liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10.0% of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds), and the same element that met the 10.0% criterion above in the governmental or enterprise fund is at least 5.0% of the corresponding element total for all governmental and enterprise funds combined.

The following is a brief description of the major governmental funds that are separately presented in the fund financial statements.

The General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund - is used to account for debt service on bonded obligations of the City.

The Capital Projects Fund - is used to pay for professional services to plan, design, the acquisition for rights-of-way and the construction and improvement of the following City Streets: Bunton Creek Road, North Burleson Street, Goforth Road, Lehman Road, and Marketplace Avenue funded by issuance of 2013 General Obligation, 2008 Certificate of Obligation Fund, 2014 Tax Notes and 2015 General Obligation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Fund Accounting (Cont'd)

The City reports the following major enterprise fund:

The Water Fund - is used to account for the activities necessary for the provision of water services.

The Wastewater Fund – is used to account for the activities necessary for the provision of wastewater services.

The Storm Drainage Fund – is used to for the activities necessary for the provision of drainage improvement services and flood mitigation activities including capital improvements.

In addition, the City reports the following nonmajor fund types:

Governmental Funds:

Special Revenue Funds - are used to account for funds restricted to, or designated for, special purposes by the City or a grantor.

Fiduciary Funds - are used to account for resources held for others in a custodial capacity. The City's Trust fund is the Other Post Employment Benefits Fund (Retiree Health Insurance). The other post-employment benefit trust fund is used to account for the accumulation of resources for post-employment benefits to qualified plan participants.

Agency Funds – accounts for resources held by the City in a custodial capacity for other post employment benefits.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance

Cash and Cash Equivalents

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include cash, demand and time deposits and investments with a maturity date within three months of the date acquired by the City.

Investments

The City's investment practices are governed by state statutes and by the City's own investment policy. City cash is required to be deposited in Federal Insurance Corporations (FDIC) insured banks. A pooled cash strategy is utilized which enabled the City to have one central depository.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations that are described by (1); (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third-party selected or approved by the City, and placed through a primary government securities dealer. Investments maturing within one year of date of purchase are stated at amortized cost. The City's policy is to report local government investment pools, and Securities and Exchange Commission ("SEC") registered money market mutual funds at fair value using net asset value (NAV) or amortized cost if the pool meets the requirements of GASB Statement No. 79. The City carries investments in debt securities with maturities in excess of one year at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, prepayment speeds, and fixed income security pricing models. The City carries investments in debt securities with original maturities of one year or less at the date of purchase at amortized cost.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported as other financing sources/uses in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets

Certain assets of the Enterprise Funds and the Governmental Funds are classified as restricted assets because their use is restricted for capital improvements or debt service via externally imposed by bond ordinance or laws of other governments.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Construction in progress will be capitalized once the project is completed and the related asset placed in service.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25 to 40
Waterworks and wastewater systems	10 to 50
Infrastructure	20 to 33
Machinery and equipment	5 to 10

Compensated Absences

The City permits employees to accumulate earned but unused vacation pay benefits. Certain employees have carried forward unused sick leave benefits. Unused sick leave shall be not paid upon termination of employment, except as specifically provided as follows:

1. An employee that terminates employment for any reason other than death, or being granted a retirement or disability allowance by the Texas Municipal Retirement System (TMRS) or the Social Security Administration (SSA), shall not be paid for unused sick leave.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)

Compensated Absences (Cont’d)

2. An employee having at least 10 years of service with the City who is granted a retirement or a disability allowance by TMRS or SSA, or who dies, is entitled to a partial payment for up to 480 hours of unused sick leave accrued to such employee. The partial payment to the employee or the employee's beneficiary shall be as follows: (A) an amount equal to thirty percent (30%) of the value of such accrued, unused sick leave will be paid for 10 years of service; and (B) the amount to be paid for such unused sick leave shall increase by 2% for each year of service as an employee of the City, if any, in excess of 10 years.

3. An employee covered under the agreement between the City and the Kyle Police Association may be paid for their unused sick leave, in accordance with the agreement.

No liability is reported for unpaid accumulated sick leave for the remaining employees. Vacation pay and certain sick leave benefits are accrued when incurred in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures in the period incurred.

Fund Balance

The City classifies governmental fund balances in the governmental fund financial statements as follows:

Non-spendable - The non-spendable category includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – The restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Amounts in the assigned fund balance are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund assigned amounts represent intended uses established by City Council or City Manager, and Department Directors. The City Manager, and Department Directors are authorized to assign individual amounts up to $15,000 and City Council is authorized to assign amounts over $15,000.

Unassigned – The unassigned fund balance includes positive fund balances within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)

At September 30, 2019, the City has the following fund balance classifications:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total
Fund Balance					
Non-Spendable Prepaids	$ 420	$ -	$ -	$ -	$ 420
Restricted:					
Capital Projects	$ -	$ -	$ 18,651,822	$ -	$ 18,651,822
Debt Service	-	357,755	-	-	357,755
Road and Park Improvements	-	-	-	3,282,512	3,282,512
Public Safety	-	-	-	153,339	153,339
Economic Development, HOT	-	-	-	347,538	347,538
Other Development	-	-	-	614,311	614,311
	$ -	$ 357,755	$ 18,651,822	$ 4,397,700	$ 23,407,277
Unassigned:					
Unassigned	$ 15,537,158	$ -	$ -	$ -	$ 15,537,158
	$ 15,537,578	$ 357,755	$ 18,651,822	$ 4,397,700	$ 38,944,855

The City requires restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made. For the Net Position, the City also requires restricted amounts be spent first when both restricted and unrestricted fund balances is available unless the restriction prohibits doing this.

The City Charter has a formal minimum general fund balance policy that requires a reserve of at least equal to 25% of operating budget.

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental units.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balance (Cont'd)

Pension

For the purposes of measuring the net pension liability, deferred inflows/outflows of resources and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to, or deductions from, TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

The Net OPEB liability has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes measuring the Net OPEB liability: deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about benefit payments are recognized in the total liability calculation when due and payable in accordance with the benefit terms. The OPEB Trust and the investments which are reported at fair value, are reflected in the Statement of Fiduciary Net Position.

Deferred Outflows and Inflows of Resources – The City has classified as deferred outflows of resources certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

The City has classified all of the difference between the reacquisition price and the net carrying amount of the defeased debt as a deferred outflow of resources. The deferred outflow of resources is amortized over the term of the defeased bonds and recognized as a component of interest expense annually. The City has also deferred certain pension and OPEB related items in accordance with applicable pension standards as noted under Note V.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the end of the year were as follows:

	Historic Cost	Accumulated Depreciation	Net Value End of Year	Change in Net Position
Capital Assets - End of Year				
Non-Depreciable Assets	$ 19,167,582	$ -	$ 19,167,582	
Depreciable Assets	170,067,624	54,242,517	115,825,107	
Change in Net Position	$ 189,235,206	$ 54,242,517	$ 134,992,689	134,992,689
Long-term Debt - End of Year				
Bonds Payable			$ 78,098,656	
Change in Net Position			$ 78,098,656	(78,098,656)
Net Adjustment to Net Position				$ 56,894,033

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustment to Change in Net Position
Amortization of Bond Premiums	$ 704,985	$ 704,985
General Fund Contributed Capital	2,795,086	2,795,086
Compensated Absences	(56,239)	(56,239)
Deferred Inflows Property Tax	74,234	(74,234)
Pension Expense	(202,752)	(202,752)
Interest Accrual	24,038	24,038
OPEB Expense	11,862	11,862
		$ 3,202,746

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

The Council adopts an "appropriated budget" for the General Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-l.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Sixty days prior to October 1st, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to the third Tuesday of September, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year.

4. The legal level of budgetary control is at the function level. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end. Amounts encumbered prior to year-end will lapse 3 months after year end.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2019, the City had the following Pooled cash, and investments:

	Pooled cash and investments	
	Unrestricted	Restricted
General Fund	$ 12,993,604	$ -
Debt Service	-	403,117
Capital Projects	9,121,318	10,640,566
Nonmajor governmental funds	1,014,759	3,420,790
Water Fund	9,814,269	6,317,354
Wastewater Fund	20,649,713	13,208,971
Storm Drainage Fund	847,837	-
Fiduciary Funds	-	1,548,918
	$ 54,441,500	$ 35,539,716
Total pooled cash, cash equivalents and investments	$ 89,981,216	

Total Investments	
TexPool	$ 33,382,035
TexSTAR	37,552,879
Mutual Fund	10,473,558
United States Treasury Note	3,995,468
Federal Home Loan Bank	2,997,854
Total Investments	$ 88,401,794
ADD:	
Deposits	175,210
	$ 88,577,004
OPEB Trust Investments	$ 1,404,212
Total pooled cash, and investments	$ 89,981,216

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Deposits and Investments (Cont'd)

Texas Local Government Investment Pool

Texas Local Government Investment Pool ("TexPool") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poor's and had a weighted average maturity of 34 days as of September 30, 2019.

TexPool meets the requirements of GASB Statement No. 79, and as such, measures and reports its investments at amortized cost. The City carries its investment in TexPool at amortized cost.

TexSTAR Investment Pool

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investment of participants' public funds and funds under their control. TexSTAR is managed by J.P. Morgan Investment Management, Inc., an affiliate of JP Morgan Chase Bank, N.A. a national banking association, and First Southwest Asset Management, Inc., an affiliate of Texas based First Southwest Company. TexSTAR's investment manager will maintain the dollar-weighted average maturity of sixty (60) days or less, and the maximum stated maturity for any obligation of the United States, its agencies, or instrumentalities is limited to 397 days for fixed rate securities and 24 months for variable rate notes. TexSTAR is rated AAAm by Standard and Poor's and had a weighted average maturity of 36 days at September 30, 2019.

TexSTAR does meet the requirements of GASB Statement No. 79, and as such, has elected to measure and report its investments at fair value. The City carries its investment in TexSTAR at fair value measured using published NAV, which is based on fair values of the underlying investments.

The City utilizes various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, Fair Value Measurement and Application, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the City has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for the identical instrument in an inactive market, and other significant inputs based on third party fixed-income pricing models.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the City's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

A. Deposits and Investments (Cont'd)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

As of September 30, 2019, the City's investment of $6,993,322 in agency securities and treasury notes are measured at amortized cost, as the original maturity of the security at the date of purchase was less than one year. Also, the City's investment in TexPool $33,382,035 is carried at A+ amortized cost. Accordingly, the City is not required to disclose these investments within the GASB Statement No. 72 hierarchy for investments.

As of September 30, 2019, the City's investment of $37,552,879 in TexSTAR is carried at fair value using published NAV which is based on fair value of the underlying investments. The City's investment in TexSTAR is classified in level 2.

The City's investment in the Wells Fargo Government Money Market Fund of $10,473,558 is carried at fair value using published NAV of the fund. The City's investment in this fund is classified in level 1. This fund invests in fixed income securities seeking current income while preserving capital and liquidity. The City's OPEB Trust fund investment of $1,404,212 are in mutual funds and are carried at fair value using published NAV. The City's OPEB Trust investments are classified in level 1.

Interest Rate Risk: Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days. At September 30, 2019 the City holds $6,993,322 of US Agency securities and US Treasuries, with a weighted average maturity of its investment portfolio of 105 days.

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2019, any deposit balance exceeding the $250,000 covered by FDIC insurance was collateralized with securities held by the pledging financial institution in the City's name. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside third party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the City and are held by the counterparty, its trust or agent, but not in the City's name. The City's investment securities are not exposed to custodial risk because all securities held by the City's custodial banks are in the City's name.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the City. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pools and money market fund were rated AAAm by Standard & Poor's Investors Service and government securities were rated AA+. The City's trust fund investments are not rated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy requires the investment portfolio be diversified in terms of investment instruments, maturities and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific maturity or specific issuer. As of September 30, 2019, the City had no investments exposed to concentration of credit risk.

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

B. Receivables

Receivable as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds						
	General	Debt Service	Other	Water	Wastewater	Storm Drainage	Total
Receivables:							
Accounts:							
Customers	$ 941,258	$ -	$ -	$ 2,442,278	$ 1,289,312	$ 245,948	$ 4,918,794
Court Warrants Receivable	2,734,889	-	-	-	-	-	2,734,889
Developers	8,397	-	-	-	-	-	8,397
Property Tax	126,746	129,500	-	-	-	-	256,246
Sales Tax	1,617,318	-	-	-	-	-	1,617,318
Franchise/Access	454,359	-	-	-	-	-	454,359
Other	730,363	-	116,728	-	-	-	847,091
Gross Receivables	$ 6,613,331	$ 129,500	$ 116,728	$ 2,442,278	$ 1,289,312	$ 245,948	$ 10,837,096
Less: Allowance for Uncollectibles	(2,833,409)	-	-	(451,003)	(279,435)	(15,354)	(3,579,201)
Net Receivables	$ 3,779,922	$ 129,500	$ 116,728	$ 1,991,275	$ 1,009,877	$ 230,593	$ 7,257,895

C. Property Taxes

In accordance with Texas statues, the City approves a tax rate and an order to levy property taxes in October of each year. Property taxes are billed by the county tax assessor collector as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of the year following the City's order to levy taxes (the assessment date), a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as a lien on the assessed property. In the government-wide financial statements, property tax revenue is recognized as earned, net of an allowance for uncollectible taxes. In the Governmental Fund financial statements, property tax revenues are considered available when they become due and receivable within the current period.

The appraisal of property within the City is the responsibility of the Hays County Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the city limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

D. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental Activities:	Balance 10/1/2018	Additions	Disposals/ Transfers	Balance 9/30/2019
Capital assets not being depreciated:				
Land	$ 3,318,837	$ 889,973	$ -	$ 4,208,810
Construction in progress	6,049,870	8,908,714	-	14,958,585
Total capital assets not being depreciated	$ 9,368,708	$ 9,798,687	$ -	$ 19,167,395
Capital assets being depreciated:				
Buildings	$ 17,243,564	$ 127,151	$ -	$ 17,370,715
Improvements other than buildings	4,438,531	209,270	-	4,647,801
Infrastructure	140,106,383	1,979,426	-	142,085,808
Machinery and equipment	5,475,743	487,557	-	5,963,300
Total capital assets being depreciated	$ 167,264,222	$ 2,803,404	$ -	$ 170,067,624
Accumulated depreciation:				
Buildings	$ (4,132,411)	$ (484,267)	$ -	$ (4,616,678)
Improvements other than buildings	(2,697,423)	(264,597)	-	(2,962,020)
Infrastructure	(38,216,534)	(4,575,464)	-	(42,791,998)
Machinery and equipment	(3,514,958)	(356,863)	-	(3,871,821)
Total accumulated depreciation	$ (48,561,326)	$ (5,681,191)	$ -	$ (54,242,517)
Total capital assets being depreciated (net)	$ 118,702,896	$ (2,877,787)	$ -	$ 115,825,107
Governmental activities capital assets (net)	$ 128,071,604	$ 6,920,900	$ -	$ 134,992,502

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

D. Capital Assets (Cont'd)

Business Type Activities:	Balance 10/1/2018	Additions	Disposals/ Transfers	Balance 9/30/2019
Capital assets not being depreciated:				
Land				
Water	$ 415,161	$ -	$ -	$ 415,161
Wastewater	276,774	-	-	276,774
Construction in progress				
Water	860,777	435,109	-	1,295,886
Wastewater	4,892,126	5,718,997	-	10,611,124
Total capital assets not being depreciated	$ 6,444,838	$ 6,154,106	$ -	$ 12,598,944
Capital assets being depreciated:				
Buildings				
Water	$ 14,071	$ -	$ -	$ 14,071
Wastewater	3,099,552	-	-	3,099,552
Improvements other than buildings				
Water	38,541,901	1,314,016	-	39,855,917
Wastewater	42,151,491	1,731,894	-	43,883,385
Storm Drainage	12,150,821	3,766,618	-	15,917,439
Machinery and equipment				
Water	1,054,102	103,303	-	1,157,405
Wastewater	1,194,698	103,303	-	1,298,002
Storm Drainage	1,035,559	341,171	-	1,376,731
Total capital assets being depreciated	$ 99,242,196	$ 7,360,307	$ -	$ 106,602,503
Accumulated depreciation:				
Buildings				
Water	(11,282)	(2,195)	-	$ (13,476)
Wastewater	(476,354)	(224,128)	-	(700,481)
Improvements other than buildings				
Water	(11,702,585)	(890,687)	-	(12,593,271)
Wastewater	(13,025,134)	(1,301,816)	-	(14,326,950)
Storm Drainage	(110,946)	(306,546)	-	(417,492)
Machinery and equipment				
Water	(651,210)	(84,634)	-	(735,844)
Wastewater	(726,618)	(102,587)	-	(829,205)
Storm Drainage	(77,523)	(112,733)	-	(190,256)
Total accumulated depreciation	$ (26,781,651)	$ (3,025,325)	$ -	$ (29,806,976)
Total capital assets being depreciated (net)	$ 72,460,545	$ 4,334,982	$ -	$ 76,795,527
Business type activities capital assets (net)	$ 78,905,383	$ 10,489,088	$ -	$ 89,394,471

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

D. Capital Assets (Cont'd)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:		
General government	$	468,018
Public safety		199,642
Public works		4,569,338
Culture and recreation		444,193
Total Depreciation Expense - Governmental Activities	$	5,681,191

Business Type Activities:		
Water	$	977,516
Wastewater		1,628,530
Storm Drainage		419,279
Total Depreciation Expense - Business Type Activities	$	3,025,325

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and wastewater	$ 454,245

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenses occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund and intrafund transfers during the year ended September 30, 2019, are as follows:

	Transfers out							
Transfers In	General Fund	Debt Service	Capital Projects	Nonmajor Governmental	Water Fund	Wastewater Fund	Storm Drainage	**Total**
General Fund	$ -	$ -	$ -	$ 336,506	$ 650,000	$ -	$ -	$ 986,506
Debt Service Fund	-	1,691,454	-	-	234,274	37,026	-	1,962,754
Capital Projects	7,641,908	-	-	-	2,500,000	-	-	10,141,908
Nonmajor Governmental	133,042	-	-	-	-	-	-	133,042
Water Fund	-	-	-	-	735,109	-	-	735,109
Wastewater Fund	5,000,000	3,500,000	-	-	-	8,568,996	-	17,068,996
Storm Drainage Fund	-	-	-	-	-	-	25,000	25,000
	$ 12,774,950	$ 5,191,454	$ -	$ 336,506	$ 4,119,383	$ 8,606,022	$ 25,000	$ 31,053,315

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

F. Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/2018	Additions	Reduction	Balance 9/30/2019	Due Within One Year
Governmental Activities:					
Bonded Indebtedness	$ 39,115,002	$ -	$ 705,000	$ 38,410,003	$ 730,000
Premium on Bond Issuance	3,508,639	-	704,985	2,803,654	-
Refunding Bonds	41,415,000	-	4,530,000	36,885,000	4,700,000
Net Pension Liability	2,100,242	2,333,543	892,221	3,541,564	-
Net OPEB Liability	400,460	46,023	138,082	308,401	-
Total Governmental Activities	$ 86,539,343	$ 2,379,566	$ 6,970,288	$ 81,948,622	$ 5,430,000

	Balance 10/1/2018	Additions	Reduction	Balance 9/30/2019	Due Within One Year
Business Type Activities:					
Net Pension Liability	$ 722,901	$ 803,201	$ 307,101	$ 1,219,001	$ -
Net OPEB Liability	133,487	15,341	46,027	102,801	-
Total Business Type Activities	$ 856,388	$ 818,542	$ 353,128	$ 1,321,802	$ -

The General Fund is responsible for liquidating liabilities for other post employment benefits and pensions in the governmental activities.

Bonded Indebtedness

The City has issued general obligation bonds whereby the proceeds were used to purchase capital assets reported in the Water and Wastewater Funds. All general obligation debt is expected to be service by the governmental activities and the Water and Wastewater Funds are not expected to service the general obligation debt. Accordingly, all the City's general obligation debt is reported in the governmental activities column.

The City issues certificates of obligation and tax notes to provide funds for the acquisition and construction of major capital facilities and equipment and to refund previous issues. Bonded indebtedness of the City is as follows:

Governmental Activities:

$15,315,000 General Obligation Refunding Bonds - Series 2009, principal due annually in series through 2025, interest due semi-annually at 4.125%.	$ 1,780,000
$4,290,000 Combination Tax and Revenue Certificates of Obligation - Series 2010, principal due annually in series through 2030, interest due semi-annually at 3.00% to 4.05%.	2,990,000

IV. DETAILED NOTES ON ALL FUNDS (Cont'd)

F. Long-term Liabilities (Cont'd)

Bonded Indebtedness (Cont'd)

$3,390,000 General Obligation Refunding Bonds - Series 2011, principal due annually in series through 2024, interest due semi-annually at 1.4% to 3.40%.	$	1,645,000
$13,720,000 General Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 3.0% to 4.0%		11,750,000
$5,520,000 General Obligation Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 1.75% to 4.0%		4,370,000
$1,875,000 Tax Notes - Series 2014, principal due annually in series through 2021, interest due semi-annually at 2.0% to 3.0%		570,000
$7,140,000 General Obligation Refunding Bonds - Series 2014, principal due annually in series through 2028, interest due semi-annually at 4.0%.		6,970,000
$42,525,000 General Obligation Refunding Bonds - Series 2015, principal due annually in series through 2035, interest due semi-annually at 2.0% to 4.0%.		36,700,000
$8,520,000 General Obligation Refunding Bonds - Series 2016, principal due annually in series through 2031, interest due semi-annually at 3.0% to 4.0%.		8,520,000
	$	75,295,000

Debt Service Requirements

Annual debt service requirements are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2020	5,430,000	2,738,118	8,168,118
2021	5,630,000	2,545,913	8,175,913
2022	5,540,000	2,351,308	7,891,308
2023	5,750,000	2,152,213	7,902,213
2024	5,975,000	1,944,333	7,919,333
2025-2029	24,705,000	6,664,697	31,369,697
2030-2034	18,255,000	2,425,909	20,680,909
2035	4,010,000	71,400	4,081,400
	$ 75,295,000	$ 20,893,889	$ 96,188,889

G. Contingent Arbitrage Liabilities

The City has invested a portion of GO bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years. The City has no arbitrage liability as of September 30, 2019.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. The City has not had any significant reductions in insurance coverage, nor have insurance settlements for the last three fiscal years exceeded insurance coverage. Any losses reported, but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements.

B. Commitments and Contingencies

The City is a defendant in lawsuits occurring in the normal course of business. Although the outcome of these matters is not presently determinable, in the opinion of the City's attorney, their resolution will not have a material adverse effect on the financial condition of the City. Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including· amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City executed Water Supply Contracts with Guadalupe Blanco River Authority (GBRA) and a Regional Water Supply Contract with the Alliance Regional Water Authority (formerly Hays Caldwell Public Utility Agency “the Agency”).

Under the raw water supply agreement with GBRA, the City agreed to pay on a take or pay basis for the appropriate share of debt service, debt service coverage and fixed Operation and Maintenance Expenses as defined in the agreement. Rates charged to the City for the treatment and delivery of treated water are determined pursuant to the terms of the Regional Agreement, plus GBRA’s costs associated with any facilities required to convey the treated water. The City is also required under the agreement to pay on a take or pay basis as defined in the agreement for the treated water. For the period ending September 30, 2019, the City paid $2,954,027 under the water supply agreement.

The Alliance Regional Water Authority (Agency) and Sponsoring Public Entities which includes the cities of Buda, Kyle and San Marcos and the Canyon Regional Water Authority have entered into a Regional Water Supply Contract dated January 15, 2008 as amended by amendment No. 1. The Agency agreed to design, finance, construct, own, acquire, maintain and operate the Project in a manner that will allow the Agency to deliver water to the Sponsoring Public Entities which includes the City. The City agreed to pay its share (28.17%) of the Project Costs and to make payments to or on behalf of the Agency in amount sufficient to meet all of the Agency’s obligations under the Contract including its share of the Project Costs to allow the Agency own, operate and maintain the Project. For the period ending September 30, 2019, the City paid $1,296,685 under the water supply contract.

C. Benefit Plans

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code.

TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Retirement Plan

Plan Description

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple- employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS website at www.TMRS.com.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has adopted annuity increases at a rate equal to 70% of the increase in the Consumer Price Index – all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The Plan also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years, unless the City opted to maintain 10-year vesting which it did until 2015. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms

At December 31, 2018, the following employee were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	103
Active employees	200
Total	328

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2015, valuation is effective for rates beginning January 2016).

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.49% for 2019. The City's contributions to TMRS for the year ended September 30, 2019, were $1,479,117 and the required contributions were $1,479,117.

Funding Policy

Cities are required to contribute at an actuarially determined rate; these rates are provided to the City on an annual basis, following the completion of the actuarial valuation.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% to 10.50 including inflation per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, white blue-collar adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. The healthy annuitant post-retirement mortality rates and annuity purchase rates were based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	78.00%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	100.00%	

Discount rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Changes in Net Pension Liability / (Asset)

The following table below presents the components used to calculate the NPL for the current reporting period.

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (a) – (b)
Balance at 10/1/2018	$ 21,701,318	$ 18,878,178	$ 2,823,140
Changes for the year:			
Service cost	1,978,017	-	1,978,017
Interest	1,517,366	-	1,517,366
Change of benefit terms	-	-	-
Difference between expected and actual experience	63,015	-	63,015
Changes of assumptions	-	-	-
Contributions - employer	-	1,405,910	(1,405,910)
Contributions - employee	-	793,019	(793,019)
Net investment income	-	(566,454)	566,454
Benefit payments, including refunds of employee contributions	(421,654)	(421,654)	-
Administrative expense	-	(10,929)	10,929
Other changes	-	(571)	571
Net changes	3,136,744	1,199,321	1,937,423
Balance at 9/30/2019	$ 24,838,062	$ 20,077,500	$ 4,760,562

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1 % Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's Net Pension Liability	$ 9,281,229	$ 4,760,562	$ 1,147,036

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.org.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Pension Expense

For the year ended September 30, 2019, the City recognized pension expense of $1,727,856, comprised as follows:

Total Service Cost	$ 1,978,017
Interest on the Total Pension Liability	1,517,366
Current-Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(793,019)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,274,277)
Administrative Expense	10,929
Other Changes in Fiduciary Net Position	571
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	9,862
Recognition of Current Year Outflow (Inflow) of Resources - Assets	368,146
Amortization of Current Year Outflow (Inflow) of Resources - Liabilities	(59,317)
Amortization of Current Year Outflow (Inflow) of Resources - Assets	(30,422)
Total Pension Expense	$ 1,727,856

The funds used to liquidate the net pension obligations have been the general fund and the water/wastewater/storm drainage fund at a rate of 74% and 26% respectively, of the annual required contribution.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 68,152	$ (266,315)
Changes in actuarial assumptions	2,460	-
Difference between projected and actual investment earnings	1,633,357	(651,013)
Contributions subsequent to the measurement date	1,128,106	-
Total	$ 2,832,075	$ (917,328)

The City reported $1,128,106 as deferred outflows of resources related to pensions resulting from contributions made after the measurement date of the net pension liability but before the end of the fiscal year will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	262,316
2020	98,795
2021	96,162
2022	334,204
2023	(8,678)
Thereafter (4)	3,843
	$ 786,642

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

The City participates in multiple OPEB Plans. The Supplemental Death Benefit Fund is a cost sharing multiple employer defined benefit and is part of the Texas Retirement System. The City also has a single employer defined benefit health insurance plan for retirees (Medical Plan). As of September 30, 2019, the following balance related to the OPEB liability:

	Medical Plan	SDBF	Total
OPEB Liability	$ 195,566	$ 215,637	$ 411,203
Deferred Outflow of Resources	175,215	14,665	189,880
Deferred Inflow of Resources	(99,428)	(15,684)	(115,112)
OPEB Expense	85,397	30,281	115,678

Post Retirement Supplemental Death Benefits (SDBF OPEB)

Plan Description: The City participates in a single employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the SDBF. The City elected to provide group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). Retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB.

Contribution: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2019 was $14,515, which equaled the required annual contributions.

TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial and supplementary information for the SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

Post Retirement Health Insurance Plan (Health OPEB)

Plan Description: The City maintains a single-employer defined benefit health insurance plan for retirees through the Texas Municipal League Intergovernmental Employee Benefits Pool (TML). The City elected to provide health insurance coverage to certain retired employees. Former full-time employees who have retired after 25 years of service and all full-time employees who have completed 5 years or more of continuous service by April 1, 2009, and who complete a total of 25 years or more of continuous service are entitled to the same group health insurance coverage provided to active employees. This coverage is completely paid by the City. Employees who have completed less than 5 years of continuous service as of April 1, 2009, and who complete 25 years or more of continuous service are entitled to the same group health insurance coverage provided to active employees. The City will pay $300 (adjusted annually based on the CPI) toward this coverage. The employee is responsible for the balance. Any employee hired after April 1, 2009, is not entitled to group health insurance coverage after retirement. This plan is an "other postemployment benefit," or OPEB.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Benefits (Health OPEB)
Employees in Group 1 are classified as participants with 5 or more years of continuous service on April 1, 2009 and 25 or more years of continuous service at retirement have the following benefits:

- Pre- Age 65: Medical, prescription drugs, dental, vision and $2,000 life insurance – fully paid by the City for the retiree Post Age 65: Medicare supplement and prescription drugs.

Employees in Group 2 are classified as participants having fewer than 5 years of continuous service on 4/1/2009, and 25 or more years of continuous service at retirement.

- $300 monthly stipend towards medical and prescription drug coverage (both before and after age 65). The $300 amount is CPI indexed ($346.45 as of 10/1/2018). The retiree pays any additional cost. The retiree pays the full cost of spouse's coverage.

Employees hired after April 1, 2009 are not eligible for benefits under the Plan.

Medical plan provisions

	Network	Non-Network
Calendar Year Deductible	$250	$500
Out-of-Pocket Limit	$2,250 i/ $4,000 f	None
Coinsurance	85%	55%
Preventive care and annual exam	100%	100%

Contributions: The annual premiums paid from the Trust for the period ending September 30, 2019 were $5,953, and the City's contributions with the OPEB Trust were $156,500.

As of the valuation date October 1, 2018, plan membership consisted of the following:

Active employees	51
Retired	1
Total	52

Benefits: Supplemental Death Benefit Fund- The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

As of the measurement date of December 31, 2018, plan membership consisted of the following:

Inactive employees currently receiving or entitled to benefits	22
Inactive employees entitled to but not yet receiving benefits	16
Active employees	200
Total	238

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Investments (Health OPEB)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%) and deducting investment expenses. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019 are summarized in the following table:

	Target Allocation	Real Return
Large Cap Stocks	37%	5.70%
S&P 500		
Mid/Small Cap Stocks	12%	6.50%
Russell 2000		
International Stocks	17%	5.40%
MSCI EAFE		
Bonds	33%	2.50%
Barclays US		
Multi-sector bonds	0%	3.50%
Real Estate	0%	4.80%
Cash Equivalents	1%	0.00%
3-month Treasury		
	100%	

Health OPEB (Cont'd)

GASB 74 does not reduce the long-term rate of return for administrative expenses. Instead administrative expenses are an explicit component of annual OPEB expense bases of the administrative expense for the fiscal year. The resulting GASB 75 rate of return is 7.25%. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made as the same percentage of participant payroll as for the 2015-16 year or $156,500 and that all future retiree medical benefits will be paid from the trust fund under the terms of the plan. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net OPEB Liability (asset)	$ 581,907	$ 195,566	$ (98,162)

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5.09% Grading to 3.87%	Trend Rates 6.09% Grading to 4.87%	1% Increase 7.09% Grading to 5.87%
Net OPEB Liability (asset)	(97,708)	195,566	583,552

The OPEB plan assets are measured at fair value, using the same valuation methods used by the OPEB Plan for purpose of preparing its statement of fiduciary net position. The money weighted rate of return is 4.40%.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Health OPEB (Cont'd)

The components of net OPEB liability at September 30, 2019 were as follows:

Reconciliation of Total OPEB Liability		
Service cost	$	52,958
Interest on total pension liability		108,343
Differences between expected and actual experience		(122,181)
Change of Assumptions		28,137
Expected net benefit payments		(5,893)
Net change in total pension liability	$	61,364
Total OPEB Liability at beginning of year	$	1,538,415
Total OPEB Liability at end of year (a)	$	1,599,779
Fiduciary net position:		
Employer contributions	$	156,500
Member contributions		-
Investment income net of investment expense		59,309
Benefit payments/refunds of contributions		-
Administrative expenses		(16,660)
Net change in fiduciary net position	$	199,149
Fiduciary net position at beginning of year	$	1,205,063
Fiduciary net position at end of year (b)	$	1,404,212
Net OPEB liability/(asset) at end of year = (a) - (b)	$	195,566
Fiduciary net position as a % of total OPEB liability		87.78%
Covered payroll		$3,184,000
Net OPEB liability as a % of covered payroll		6.14%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Health OPEB (Cont'd)

The projections of benefits for financial reporting purposes are based on the benefits provided which are considered for accounting purposes to be provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs; it may not be a long term legal commitment. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with long term perspective of the calculations. Additional information as the latest valuation follows:

Key Assumptions for Net OPEB Liability

Valuation Date	10/1/18 valuation date (rolled forward to 9/30/19)
Actuarial cost method	Entry age
Amortization method	Level dollar
Asset valuation	Market value
Discount rate	7.25%
Salary scale	3.0%
Expected Return on Assets	7.25%
Healthcare Cost Trend Rates	6.09% grading to 4.87%; Group 1 retirees at 5% and Group 2 at 3% per year
Mortality	RP 2000 projected using scale AA

Total SDBF OPEB Liability

The City's total OPEB liability of $215,637 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Changes in the SDBF Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - beginning of year	$ 200,595
Changes for the year:	
Service Cost	$ 22,658
Interest	6,996
Difference between expected and actual experience	4,346
Change in assumptions or other inputs	(17,825)
Benefit Payments	(1,133)
Net Change	$ 15,042
Total OPEB Liability - end of year	$ 215,637

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

Summary of Actuarial Assumptions

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City as well as what the City's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1 % Decrease 2.71%	Discount Rate 3.71%	1% Increase 4.71%
Total OPEB Liability	$ 263,993	$ 215,637	$ 178,848

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

OPEB Expense – For the fiscal year ended September 30, 2019, the City recognized the following OPEB expense:

Schedule of OPEB Expense	**Total**	**SDBF**	**Health**
Total Service Cost	$ 75,616	$ 22,658	$ 52,958
Interest on the Total OPEB Liability	115,339	6,996	108,343
Current-Period Benefit Changes	-	-	-
Employee Contributions (Reduction of Expense)	-	-	-
Projected Earning on Plan Investments (Reduction of Expense)	(97,668)	-	(97,668)
Administrative Expense	16,660	-	16,660
Other Changes in Fiduciary Net Position	-	-	-
Recognition of deferred outflows/inflows of resources:			
Actuarial (gains) and losses	3,870	-	3,870
Differences between expected and actual experience	522	522	-
Changes in assumptions or other inputs	2,417	105	2,312
Investments (gains) and losses	(1,078)	-	(1,078)
Total OPEB Expense	**$ 115,678**	**$ 30,281**	**$ 85,397**

SDBF and Health OPEB deferred outflows of resources and deferred inflows of resources: For the fiscal year ended September 30, 2019, the City recognized OPEB expense of $115,678. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions or other inputs	25,825	(15,683)
Actuarial (Gains)/Losses	149,390	(112,142)
Net difference between projected and actual earnings on	-	-
OPEB plan investments	-	-
OPEB Investment gains/losses	3,822	12,713
Employer contributions subsequent to the measurement date	10,843	-
Total	$ 189,880	$ (115,112)

V. OTHER INFORMATION (Cont'd)

C. Benefit Plans (Cont'd)

The City reported $10,843 as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date of the Net OPEB liability but before the end of the fiscal year will be recognized as reduction of Net OPEB liability for the year 9/30/2019. Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

Years Ended September 30:	
2020	$ 5,731
2021	5,729
2022	14,007
2023	14,480
2024	6,809
Thereafter	17,169
Total	$ 63,925

D. Tax Abatement

The City of Kyle enters into sales and use tax and property tax abatement agreements with local businesses under Chapter 380 of the Texas Local Government Code. Under the Act, localities may grant sales and use and property tax abatements for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City of Kyle.

For the fiscal year ended September 30, 2019, the City of Kyle abated sales and use taxes totaling $873,290 and property taxes totaling $26,423 under these programs, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 33 percent sales and use tax abatement to DDR, a developer, for taxable items collected on-site by the Retail Occupants and remitted to the State Comptroller. The abatement amounted to $409,353.
- A 33 percent sales and use tax abatement to Seton Family of Hospitals for development of facility and increasing employment. The abatement amounted to $463,596.
- A 67 percent sales and use tax abatement to Nomoland to promote commercial development and increase employment. The abatement amounted to $341.
- A 50 percent property tax abatement to RR HPI, a developer, for assessed incremental property taxes above the base year. The abatement amounted to $26,423.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Bickerstaff
Heath Delgado Acosta LLP

$28,330,000
CITY OF KYLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2020

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by the City of Kyle, Texas (the "City") of its $28,330,000 aggregate original principal amount of Combination Tax and Revenue Certificates of Obligation, Series 2020, dated June 1, 2020 (the "Certificates").

IN OUR CAPACITY AS BOND COUNSEL, we have examined the Certificates for the sole purpose of rendering an opinion with respect to the legality and validity of the Ordinance (as defined below) and the Certificates under the Constitution and laws of the State of Texas, and with respect to the excludability of the interest on the Certificates from gross income for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and the Home Rule Charter of the City. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant, a transcript of certified proceedings of the City and other pertinent instruments authorizing and relating to the issuance of the Certificates, including (1) the ordinance (the "Ordinance") authorizing the issuance of the Certificates, (2) the registered Initial Certificate numbered T-1, and (3) the Federal Tax Certificate of the City.

BASED ON OUR EXAMINATION, we are of the opinion that:

1. The Certificates are valid and legally binding obligations of the City enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.

2. The Certificates are secured by and payable from the levy of a direct and continuing annual ad valorem tax upon all taxable property within the City, within limits prescribed by law, sufficient for said purposes, and a limited

pledge, not to exceed $1,000, of the Surplus Revenues of the City's Waterworks and Sewer System, as provided in the Ordinance.

3. Interest on the Certificates is excludable for federal income tax purposes from the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax on individuals.

In rendering this opinion, we have assumed continuing compliance by the City with the covenants contained in the Ordinance and the Federal Tax Certificate, that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Certificates and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Certificates being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Certificates.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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